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MARCH 1981

What's This About Solar Energy?

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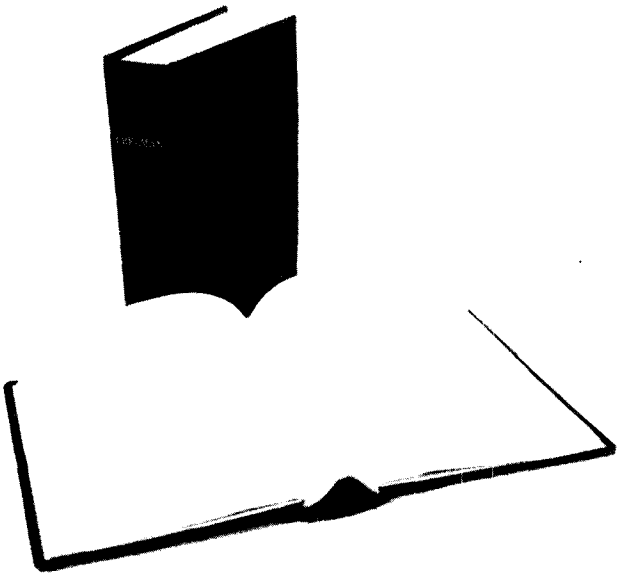

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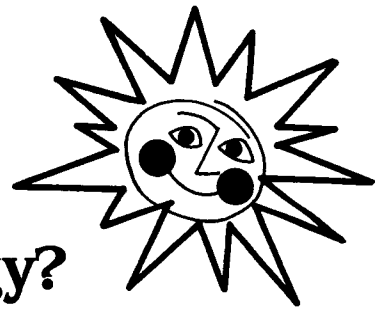
Clarence B. Carson

What's This About Solar Energy?



Now don't get me wrong; I am a devotee of solar energy. As a matter of fact, I wouldn't use any other kind. I have a total solar energy home. I heat with it, cool with it, cook with it, and run all my appliances on it. More, my lawn mower and automobile run on solar energy. Nor is it going too far to say that I run on solar energy myself, when I run. So do all the other members of my family.

So do you. So does everyone else. We have no choice in the matter. All this I take to be true, that is, unless there is a new science which goes along with the "new math," and the science I was taught has been drastically modified. What I learned when I was in school was that "the sun is the source of all energy." If that is still the case, it follows ineluctably that all the energy we use is solar energy.

This mini-lesson in science and a goodly number of the remarks which follow would probably be unnecessary if it were not for the fact that some contemporary usage has introduced considerable confusion into the matter. The phrase "solar energy" has been specialized, at least journalistically, to refer to energy obtained directly from the sun. If those who use it that way would modify the phrase, call it "direct solar energy," say, the confusion might be avoided. But if my suspicions are well founded, I think those who use it this way are more or less deliberately avoiding the distinctions which would not only remove the confusion but also remove much of the drive behind the movement for the use of direct solar energy.

Dr. Carson has written and taught extensively, specializing in American intellectual history. He is a frequent contributor to *The Freeman*.

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There is a missionary zeal about many of the proponents of direct solar energy. It is almost as if they have just discovered the sun and are eager to exploit all its potentialities. If we could just find ways to tap this marvelous source of energy, they are proclaiming, we would have at our beck and call a nearly unlimited source of energy. And, it would be *free*. That is the crux of the matter: it would be free. Or, to put it more precisely, direct solar energy *is* free, though the vantage point from which it may be received may not be. Once, I wrote a chapter of a book called "The Flight from Economics."[1] The enthusiasm for direct solar energy looks to me like another verse in it.

Recognized Uses

Before subjecting this heady vision of free energy to some dashes of cold water, however, it is in order to make some qualifications. It is well that we should attend to ways in which direct solar energy can be obtained and used to advantage. Undoubtedly, there is much to be gained in constructing buildings, for example, in situating them and locating windows so as to get heat and light from the sun at the times of day and year when they are most wanted. Astute use of insulation can greatly aid, too, in keeping the heat out when it is not wanted and inside when it is. It may be, too, as I have been told, that there are excellent possibilities in heating water for use in the home by the sun. There may be a goodly number of possible uses of direct solar energy which we have hardly exploited. If so, well and good. It is no part of my purpose here to denigrate what has been done, is being done, or may be discovered along these lines.

Now that these qualifications have been got out of the way we can move on to the dashes of cold water. First, there is nothing new about the use of direct solar energy. Man has been heated by the rays of the sun since he has been around on this planet. Ever since he has worn clothes, he has been to some degree insulated from its rays and had about him a sort of shell which stored such heat as got in. Dwellings and other buildings have been at least partially heated by the sun for millennia and served as insulation to store the heat at night. More, the breezes and winds which have cooled him, which have been used to draw his water and propel his boats on occasions, are set in motion in some fashion by the sun. The water which he has used in a variety of ways has been heated by the sun, drawn into the atmosphere by the heat of the sun, and released as rain when it was cooled.

Second, all the proposals for the greater use of direct solar energy with which I am familiar involve the use of things that are scarce. That is, they involve the use of land,

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labor, and capital. These are all scarce, must be allocated, and thus necessarily entail economic decisions.

Third, there are severe natural limitations on the use of direct solar energy. The sun is only around for a portion of the day; that portion varies with the time of year, and even when it is around it may be obscured by clouds or chilled by winds. Moreover, when it is available at greatest intensity, it is apt to be too hot for comfort, and its direct rays will fade and warp many materials. In short, there are two huge problems connected with the use of direct solar energy. One is often described as the problem of storage. The other, not so often discussed, is having it available in the concentration wanted.

Nature Solves Many Problems

Happily, these problems, which may be so costly of solution as to be practically insurmountable so long as they are approached in terms of direct solar energy, are regularly partially solved for us by nature. However, I would like to enlist the aid of the great Austrian economist of the turn of the century, Eugen von Böhm-Bawerk, in making my exposition of it. Böhm-Bawerk had a fascinating insight into the means by which goods can best be made available when and where they are wanted. He called it the "roundabout method of production." He introduced this concept in order to define capital, but it seems to me even more appropriate to the problems raised by the proponents of direct solar energy.

The roundabout method is best described in the words of the author himself as they have been so felicitously made available in English by Mr. George Huncke and Professor Hans Sennholz. Here is his description:

> A farmer needs and desires drinking water. There is a spring at some distance from his house. In order to meet his requirements he may follow any one of several procedures. He may go to the spring and drink from his cupped hands. That is the most direct way. Satisfaction is the *immediate consequence of his expenditure* of labor. But it is inconvenient, for our farmer must travel the distance to the spring as often during the day as he feels thirsty. Moreover it is inadequate, for this method never enables him to gather and store any considerable quantity such as is required for a variety of purposes. Then there is a second possibility. The farmer can hollow out a section of a log, fashioning it into a bucket, and in it he can carry a full day's supply of water to his house all at once. The advantage is obvious, but to gain it he must go a considerable distance on a roundabout course. It takes a whole day's carving to hollow out the pail; to do the carving it is necessary first to fell a tree; to do the felling he must first procure or make himself an axe, and so forth. Finally, there is a third possibility for our

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farmer. Instead of felling one tree, he fells a number of them, hollows out the trunks of all of them, constructs a pipe line from them, and through it conducts an abundant stream of spring water right to his house. Clearly, the roundabout road from expenditure of labor to attainment of water has become considerably longer, but to make up for it, the road has led to a far more successful result. Now our farmer is entirely relieved of the task of plying his weary way from house to spring burdened with the heavy bucket, and yet he has at all times a copious supply of absolutely fresh water right in the house.[2]

Böhm-Bawerk went on to give other examples, such as, tearing pieces from a granite cliff by hand versus setting a dynamite charge with tools and blowing them off, which satisfied him that the superiority of the roundabout method of production was universal. Or, as he put it, "The lesson to be drawn from all these examples is quite clear. It is to the effect that roundabout methods are more fruitful than direct methods in the production of consumers' goods. . . . In addition, the superiority appears in the fact that some consumers' goods cannot be produced except by indirect methods."[3] He doubted that economic theory could prove that this was the case; it was, instead, a lesson drawn from practical experience.

While he does not point this out, it is clear to me that the roundabout method is the method of nature itself. The river follows a winding path to the sea, following the course of least resistance as it moves to an ever lower level. Even more circuitous is the manner in which the lands are watered from great bodies of water. Particles of water are captured and carried upward by the air as the air is heated by the sun. The winds carry this water to distant points where it coalesces into clouds under the right conditions and is released upon the earth as it strikes cooler air.

Man Cooperates with Nature

Böhm-Bawerk does note, however, that man in adopting roundabout methods does so in cooperation with nature to secure the desired results. As he says, "We are as incapable of overcoming the cohesiveness of the granite cliff from which we wish to derive building material, as we are of combining carbon and nitrogen, hydrogen and oxygen, phosphorous and potassium and the like, to form a single grain of wheat. But what is denied our own powers is quite feasible for other forces, namely, the forces of nature herself. There are natural forces which can perform prodigies of strength infinitely beyond human capacity, and there are other natural forces which, in the world of minutiae, are capable of contacts of incredible delicacy. . . .

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"We do not have the ability to gather atoms of phosphorus and potassium from the ground, of carbon and oxygen from the atmosphere and combine them to form a grain of wheat. But the principles of organic chemistry can be put in play by the forces within the seed-kernel of wheat to initiate the magical process of growth, while for us it is ridiculously easy to place the seed in the bosom of the earth, the one place where it can carry out its mysterious function."[4]

Just so, and with that we come very near to our point. Any direct effort to capture and store solar energy can be likened to getting water from a spring by cupping our hands. Even early indirect methods are likely to be about as primitive as cutting down a tree and fashioning a bucket with which to fetch the water to the house. In any case, if the storing of solar energy is a problem at all, it is one which nature has long been busily solving in myriad and wondrous ways.

The most direct way in which nature stores solar energy is in plants. Nonetheless, it is done in a roundabout way. The process is called photosynthesis. It occurs in the leaves of plants to which minerals and water are brought from the roots, and these make food in the presence of sunlight. The food, or energy, is then stored in the fruit, the body, and root of the plant. Animals obtain their food, or energy, from plants, or from eating other animals, if they are carnivorous, who have obtained it from plants. Hence, it is literally true to say that I run on solar energy. The full roundaboutness of the process by which food is made in plants would involve the story of how the water got there, how minerals are deposited in the soil, and so on.

Stored Energy

Vast quantities of solar energy have been stored in the bowels of the earth as a result of natural processes. They are commonly referred to as fossil fuels today, and consist mainly of coal, oil, and natural gas. Coal is believed to have been formed chiefly, or entirely, from plant matter, which was interrupted either in its life or deterioration and fossilized in seams of the earth. Oil is believed to have been formed largely from extracts of sea animals (and possibly plants) which occurred when the waters covering certain areas receded. Natural gases are presumably relics of decayed animal matter trapped in the pores of the earth.

Another vast source of energy is nuclear energy. This energy is released by a process of fission in the nucleus of atoms when they are bombarded by neutrons. In the sense in which we have been using solar energy, i.e., as energy derived from the heat or radiation of the sun, I

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have no information that points to the necessary conclusion that nuclear energy is solar energy. In another sense, however, it can be said that nuclear energy *is* solar energy. That way of stating it, however, may be going at an explanation wrong-end-to, so let us put it directly. Solar energy *is* nuclear energy. The heat and radiation from the sun is attributed to continuous and intense nuclear activity. Thus, the induced instability in the nucleus of the atom on the earth is an artificially devised method of releasing sun-like energy. In nature, and so far as we know, virtually all nuclear energy released is solar energy, or, to speak more universally, since there are numerous suns, or stars, in the heavens, star energy. Therefore, in a very important sense, nuclear energy is also solar energy.

What I am getting at, then, is that we have no practical choice as to whether or not we will use solar energy. Our choices are concerned only with which forms of solar energy we will use. Our choices have to do with such questions as whether we will use the direct heat and radiation from the sun, the energy that is stored in plants, the energy stored in fossil fuels, the energy that can be made available by impounding waters and releasing them so as to produce electricity, the energy made available by the movement of winds, and so on. In any case, we will be making choices as to which form, or combinations of forms, of solar energy we will use.

Nor do we have any real choice as to whether or not we will employ roundabout methods in storing and releasing solar energy. The only direct solar energy we can exploit is such heat and radiation as we can absorb by exposing our bodies to the sun. Beyond that all methods of storing solar energy are in greater or lesser degree roundabout methods. To collect rocks and place them so as to store heat during the day for use in the night is a roundabout method. To lay down pipes in which water will be heated for use is a roundabout method. To build a shelter which will store a portion of the heat for warmth during the night is a roundabout method.

The Need to Choose

In short, since we cannot eat sunbeams, and since the heat and radiation from the sun does not arrive continuously in the quantities, of the quality, and in the concentration which is satisfactory to our purpose, we must go about storing it and releasing it in roundabout ways. It is in order to reiterate, too, that in whatever form we avail ourselves of stored solar energy we will have to use things that are scarce. Therefore, our decisions will be, and are, economic decisions. Nor are there any methods available to us that do

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not involve dangers; even the direct rays of the sun may cause skin cancer, and concentrated sunlight can cause all sorts of damage. In the final analysis, all energy is released by burning, oxidation, or friction; and heat, radiation, and fire are dangerous. Our choices, then, are from among roundabout ways, involve costs, and greater or lesser dangers.

A part of the appeal, at least to me, of Böhm-Bawerk's phrase, "roundabout method of production," is that it brings us up short and makes us think. After all, we do not ordinarily think of the roundabout way as being the best and most efficient way of doing anything. After all, we are brought up on the axiom that the shortest distance between two points is a straight line. That being the case, we are predisposed to the most direct way of going about a thing. On reflection, however, we may come to realize that while the axiom is valid for distance it is inapplicable to production. In production, the predisposition to the most direct way becomes a prejudice against the use of capital. (It is also, I suspect, a prejudice against civilization, for anyone who is aware of the forms of civilization must know also that they are often indirect and roundabout.)

It is not Böhm-Bawerk's point, as I understand it, that there is anything superior, *per se,* in roundaboutness. (Its superiority, where it occurs, is something learned from experience, he makes clear, not from theory.) Thus, we do not go about production in the most roundabout way conceivable, nor add on ever more layers of the roundabout for the sake of roundaboutness. On the contrary, we go about production in the most direct way possible to achieve what is wanted most efficiently. It is the case, however, that the use of tools (capital) is a roundabout way to get the job done, and it is the most efficient way, and sometimes the only way. It happens, too, that we can greatly increase the supply of goods produced by a given amount of labor by the judicious use of capital.

Political Intervention

If roundaboutness, *per se,* were wanted, we would be in excellent shape today, for there should be no doubt that government intervention, restrictions, controls, and manipulation have made much of production exceedingly roundabout. Unfortunately, politically motivated roundaboutness does not contribute to an increase in production; it is, instead, counterproductive. Indeed, the high cost of energy today which set the stage for the movement to find ways to utilize direct solar energy more effectively can be attributed directly to politically motivated roundaboutness. This is so

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whether we consider the cartel formed by the governments of the OPEC nations to restrict production and charge all that the traffic will bear for oil or our own numerous restrictions which weigh heavily on production. Economically motivated roundaboutness increases production, for it brings capital to bear on supplying our wants in the most effective manner. Politically motivated roundaboutness decreases production, for it limits and restrains effective uses of capital.

Böhm-Bawerk knew nothing of our energy shortage, of course. He did know, however, that man is confronted with scarcity of all those things denominated goods, including energy. His ingenious phrase, "roundabout method of production," was devised to define and expand our conception of capital, to understand more fully the role that it plays, and how it plays it. He believed that the most effective way to get more goods in the actual world in which we live is to go about getting them in the roundabout way entailed in the use of capital. Instead of getting our water by cupping our hands, getting our wood by pushing trees down, trying to dislodge pieces of granite by pulling at it with our bare hands, or obtaining energy by trying to imprison sunbeams, he saw the great advantages in imitating nature and going about these things in a roundabout way. To return to direct methods would be retrogressive; progress was made by indirect methods which are entailed in the use of capital.

—FOOTNOTES—

[1]See *The Flight from Reality* (Irvington, N.Y.: The Foundation for Economic Education, 1969), chapter 18.

[2]Eugen von Böhm-Bawerk, *Capital and Interest*, vol. II (South Holland, Ill.: Libertarian Press, 1959), pp. 10–11.

[3]*Ibid.*, p. 12.

[4]*Ibid.*, p. 13.

IDEAS ON LIBERTY

What Makes Wages Rise

WHAT is called the American way of life is the result of the fact that the United States has put fewer obstacles in the way of saving and capital accumulation than other nations. . . .

There is only one way that leads to an improvement of the standard of living for the wage-earning masses—the increase in the amount of capital invested. All other methods, however popular they may be, are not only futile, but are actually detrimental to the well-being of those they allegedly want to benefit.

LUDWIG VON MISES, "Wages, Unemployment, and Inflation"

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Leland Browne, Jr.

...To Pay Paul

A concerned citizen and businessman here takes a stand against a proposal, by friends and neighbors, of government intervention to benefit special interests at the expense of others. The identification of the community in this case is withheld. But the situation is well-nigh universal; it could happen in your town.

Mr. Mayor, Members of the Council, Representatives of the Chamber of Commerce, Interested Citizens:

THERE are a number of things I'd rather be doing than speaking here in opposition to this proposal. As I understand it, the proposal is that we will levy a 3½ per cent tax on the overnight guests in our motels in order to fund the city's industrial development program.

I am acutely aware of and in fact have no small vested interest in the economic benefits and advantages that may accrue to our community through an aggressive industrial growth program. I am acutely aware and deeply appreciative of the dedication and efforts of the Chamber representatives in that regard. I am acutely aware that the primary spokesmen for this program tonight and in your earlier meetings are close personal friends of mine who have spent countless hours in addressing this problem and for whom I have boundless respect and admiration.

Nevertheless, I am convinced that this proposal is wrong; it troubles me deeply—perhaps, admittedly, out of all proportion to practical reality, but nonetheless I feel compelled to speak to it. As a recent local news editorial pointed out, the primary merit of this proposal is that it creates an economic enhancing activity at little or no cost to the residents of

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our city. Put another way, that is to say that we are proposing to use the power of the local government to create an economic benefit for us and make somebody else pay for it.

The Abuse of Power

In my judgment, this is a classic case in microcosm of the abuse of government power. Set aside for a moment, if you will, considerations of size and scale which are admittedly small, and consider the nature of the proposal in and of itself. And if you will look at it in that light, I think you will agree that it represents one of the most flagrant examples of the abuse of government power that we will find today in any local, state or federal program or in any government spending proposal.

I would ask you four questions: (1) Do you condone the use of the power of government to accomplish in the name of expediency a purpose which has historically, traditionally and demonstrably been accomplished, and can be accomplished, by and within the private sector? (2) Do you condone the use of the power of government to levy a tax on one group for the primary benefit of another group? (3) Do you condone the use of the power of government to levy a tax on citizens who are not represented by the government; who are, in fact, disenfranchised voters under this government and are not, therefore, represented by it? (4) Do you condone the use of the power of government to assign as a legal obligation to one group an obligation which in fact is not theirs under any natural process of moral or philosophical reasoning?

If I asked any of you any of those questions on the street, you would say "no"—you do not condone such use of government power. But I say to you, to vote in favor of this proposal is to vote "yes"—you do condone the use of government power in all four of those questions.

The question before us is not really whether this proposal is right or wrong morally or philosophically. An overnight guest has no more obligation to fund our industrial development than any of us has an obligation to fund the industrial development of Springfield or St. Louis or New Orleans. On philosophical and moral grounds, the proposal is wrong, and we all know it.

The question is not whether the proposal is right or wrong. The question is, knowing that it's wrong, what are we going to do about it? Should we turn it down and in so doing perhaps place our community at a competitive disadvantage with other communities who have adopted similar legislation as a political expediency and a practical necessity?

Let me turn the question around. Should we adopt a proposal we know to be wrong on the altar of and in

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the name of political expediency and practical necessity? I say to you, if the answer to that question is "yes", then we must face a second question. And that question is, when and where *do* we fight against the further encroachment of government power in any form on our lives and in our economy? Do we do so only on the broad and essentially national issues where the abuses of the government are admittedly the greatest but paradoxically our voice and our influence is the least?

Almost to a man, each of us has spoken out sincerely on occasion and deplored the accelerating growth of government and the interference with a free economy. And oftentimes we do so in a sense of frustration and almost a sense of futility. Can we afford to speak out on these issues only when the consequences of speaking out are relatively remote and painless? Can we in conscience vigorously support and defend the concepts of a limited government and make an exception and say that when the government proposal provides for us a benefit and someone else a bill, then we are for the growth of government? Can we say "no" to 90 per cent of governmental proposals and say "yeah, come on" in those instances where governmental expansion provides for us a benefit and for someone else a bill? Can we, in short, preach without practicing?

If we allow ourselves to be seduced into joining this parade, then who stops it? Where? When? And on what basis? Are we ready to say that it can't be stopped, that the cause is lost? Why, then, do we bother to study our history? Why, especially, do we espouse—albeit wistfully, perhaps—concepts of individual liberty, freedom and a competitive economy? We are facing in this proposal a perfect example in microcosm of the way government has eroded its way into the free market and the free economy with a siren song of benefits for one to be paid for by someone else.

An Impressive Record

Is there an alternative? Perhaps. I have been a resident here for 18 years. I have been continually impressed and increasingly proud of the Protestant ethic—and I use that term in the broadest possible context—that pervades our society in this community and in this part of the state. People in this community say, in effect, that we believe completely in the concepts of individual liberty and freedom and specifically in the right of the individual to invest and to succeed or fail on his own merits. The people of this area do, in fact, in my judgment represent a bastion of that philosophy unsurpassed by any other region in this country.

If this proposal passes, we will then be able to go to outside indus-

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try and say,"Here—here is our basket of goodies. We think you will find it competitive." We will not be able to offer a competitive edge. The most we can hope for under this proposal is the creation of a competitive parity. But in so doing, we will have negated and aborted the greatest strength and the most unique strength we have.

Suppose that instead of saying to outside industry, "Here is our basket of goodies," we say to industry that these people and this community specifically reject the concept of creating for one group special favors and special benefits by taxing another group. We say to you, we believe in free enterprise, we will support you and help you in any way we can, and we urge you to come and locate in our community. And we think you will find our people among the finest in this country. But our only promise to you is that we will do our best to protect you against the type of government encroachment that would have been necessary to create for you special benefit or special favor and would have, in fact, made a victim of you in some future instance where it became necessary to create under the same rules a special benefit and a special favor for some other future industry.

In short, we offer you only a microcosm of free enterprise at its best. That perhaps is a naive approach. And I'm sure that many industrial prospects would laugh you out of the room. But not all will. And those that don't are the ones who are following the concepts that built this country.

In conclusion, I can only say to you again that we must not allow ourselves to be seduced in the name of expediency by proposals that we know to be wrong. The greatest obligation we have is to our children. And the greatest gift we can give them is a moral code which has as one of its basic tenets a recognition of the rights of private property and a dedication to the safety of that property from the encroachment and confiscation of government in order to provide a benefit for some other party.

To paraphrase, if I may, our forefathers at Lexington and Concord: If a stand must be made, let it be made here, let it be made now.

Thank you very much.

Unfortunately, the tax proposal here protested was finally adopted. But in the case of numerous similar proposals the outcome is not yet known; that could depend on you.

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Gary McGath

the Anti-Consumer Lobby

"Consumerism" is all around us. We can see its effects every time we get into a car that buzzes to demand that we put on seat belts. We can see it in legally mandated warnings and warranties. It also affects us in less obvious ways, such as the impossibility of buying goods that do not satisfy the requirements of "consumer protection" laws, and the higher prices that we pay for the inclusion of features mandated by these laws.

"Consumerism," according to *Webster's New Collegiate Dictionary*, is "the promotion of consumers' interests (as against false advertising or shoddy goods)." But a definition such as this is too vague to be satisfactory. Consumers are not a separate class of people with distinct interests; everyone must consume in order to live.

It is true, however, that certain conditions are necessary if people are to satisfy their own desires for consumption; and the advocacy of these conditions could be considered as "promotion of consumers' interests."

The necessary precondition of consumption is production. Anything that is consumed must first be produced. The person who wishes to consume, if he is not a parasite, must produce either the goods he needs or something to trade for those goods.

In order to benefit from his productive activity, the individual must be free to make his own choices. A person should be free to produce what he wants, if he is able, or to trade for what he wants, if someone is willing to trade with him. No one

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may rightfully interfere with productive activity, or with a trade to which both parties have consented, as long as such activity does not impinge on anyone else's rights. Conversely, a person should not be required to produce or buy what he does not want. The consumer must be the ultimate judge of his own needs and desires. If he is prevented from exercising his own judgment on what he wants and doesn't want, he is prevented from obtaining what is most valuable to him.

The Conditions for Trade

If trade is to exist, not only compulsion but also deception must be excluded from people's dealings. If someone accepts a buyer's money in exchange for goods, and if the seller fails to deliver what he has promised, he has violated the buyer's rights and should at least be required to make restitution to him. Other legal penalties may be appropriate in the case of deliberate or habitual default. The buyer is not entitled to *more* than what the seller represents as to functionality or quality, but he has a right to hold the seller to an agreement that both have accepted.

In brief, consumption depends on production and trade, and these in turn depend on individual rights. A person who wishes to help people to become more effective consumers should, therefore, be an advocate of individual rights. Yet what passes for "consumerism" today does not follow such a principle. Rather than promoting a political-economic environment in which the consumer can make the best choices for himself, "consumerists" take the view that the consumer is incapable of making intelligent choices and that the government must make his decisions for him.

Susan B. King, the chairman of the Consumer Product Safety Commission, was quoted in the August 20, 1979 issue of *People* as saying, "Changing human behavior is a long-term and difficult problem. That doesn't mean we shouldn't do all we can in the meantime to protect us from ourselves."

In *Unsafe at Any Speed,* Ralph Nader declared that "safety measures that do not require people's voluntary and repeated cooperation are more effective than those which do."

John Kenneth Galbraith, in *The Affluent Society,* views the consumer as the helpless puppet of the producer, claiming that "it is the process of satisfying wants that creates the wants."

But the consumer is simply the individual human being, making choices for himself. According to the consumerist view, as expressed by King, Nader, and Galbraith, the consumer as an individual is helpless to make sound decisions for

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himself. They believe that the government, or "society," must make decisions for him.

A Doctrine of Contempt

Consumerism, as the term is used today, means a specific view of the consumer and his interests: the view that the consumer is *not* the best judge of his own interests, that he must be protected from himself by having his choices restricted. Only in the light of this view can consumerism be regarded as "promotion of consumers' interests." Whatever validity such a view might have, it is a doctrine of contempt for the consumer.

The consumerist view is not simply that product choices are too complex for the consumer. They would not speak of protecting people from themselves, or bemoan the need for voluntary cooperation, if their concern were the sheer difficulty of gathering a mass of information and digesting it. Rather, the consumerists hold that even when a consumer is presented with a plain, rational explanation of what the best choice is for him, he will not make that choice.

But people do have the power to think. If someone refuses to face the facts and choose accordingly, it is not because he was helpless, but because he defaulted on his responsibility to think. There is no reason why the rest of us should be deprived of freedom of choice in order to protect such people from their own irresponsibility.

The Consumer Is Injured

Since only the individual can be the ultimate judge of what is of value to him, he is injured every time the consumerists act to "protect" him. The consumer must make trade-offs based on his own values when he decides what to buy. Consider, for example, a choice among products with different levels of safety protection.

The consumer may decide to buy the product with the most thorough protection against accidents. But he must then pay for this protection, either through a higher price, or by giving up other features. (For example, he might want to buy a lawn mower that shut itself off whenever he let go of the handle. But having such a feature added would cost money, and it would deprive him of the convenience of being able to walk away from the mower and leave it running.) Alternatively, he may prefer to forgo some safety features, accepting an increased risk in order to save his money for something else. Or he may regard the safety features as unnecessary in the light of his own skill and prudence.

Since the money he is spending is his own, the choice of how to spend it is rightfully his. By forcing a particular choice on him, his "protectors" deprive him of the freedom to

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make his own selection. The result is a loss to him, if he cannot legally buy what he would prefer.

There are, to be sure, people who benefit from consumerist legislation. The beneficiaries are the people who want the goods mandated by that legislation. In a free market, there may not have been enough demand for those goods to spur anyone to produce them. But once the law states that only those goods (e.g., only lawn mowers with automatic shutoff) may be produced, they will be produced and sold. Those who wanted those goods will indeed benefit—but their advantage is gained at the cost of everyone else's freedom of choice.

This loss of freedom affects two groups of people—those who want to buy the forbidden goods, and those who had produced such goods for sale. While this article has focused on the fact that consumerism prevents people from buying what they want, it should not be forgotten that the most direct victims of consumerism are the people who are prevented from selling what they had been producing. The laws that give the consumerists what they want often mean financial loss or worse to the businesses that had been producing what the consumerists do not want, and unemployment to the employees of those businesses.

In a free market, consumers must compete for the time and resources of producers; the consumers whose willingness to pay offers the greatest profit to the producers will have their desires met most readily. The consumerists, on the other hand, seek to corner the market by means of legalized compulsion, so that only what *they* want may be produced. Most people would condemn a businessman who lobbied for laws forcing people to buy only his products; but a consumerist who lobbies for laws forcing businessmen to sell only what he wants is no better.

Those Gains Are Ill-Gotten that Rest on Compulsion

There are businesses, as well as consumers, that benefit from consumerist legislation. The businesses that are best able to adapt to such legislation may find their competitors weakened or wiped out by the costs of compliance, allowing the survivors to gain a larger market. But this is an ill-gotten gain, won by means of compulsion.

Consumerists use compulsion to influence consumers; but it is also possible to influence consumers by appealing to their minds. Consumerism should not be confused with the desire to provide consumers with better information and help them make better choices. Informing a person, and compelling him, are actions based on two very different estimates of his capacities. If he is incapable of making his own choices

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intelligently, then there is no use in trying to inform him. At best, he will only absorb recommendations without understanding the reasoning behind them; and the first glamorous ad he sees will probably make him forget them altogether. If, on the other hand, he is capable of judging products when he is adequately informed, then he has no need to be protected against his own judgment.

In fact, the popularity and usefulness of consumer-information publications gives the lie to the consumerist claim that people are incapable of making sound choices on their own. A person does not have to be an expert on every product he buys in order to choose intelligently; the consumer-information publications provide him with the advice of experts at a low price. By taking this advice into account, along with his own observations of the product and his knowledge of the manufacturer's reputation, he can choose what is best for his *own* needs.

Critics of consumerism often try to attack it by debating the merits of specific product proposals—for example, the degree of risk and protection entailed in putting air bags into cars. But the point on which the consumerists should be challenged is not their preference for certain features, but their desire to make such preferences compulsory. This requires challenging their political premise that the government should use compulsion to prevent people from making allegedly bad choices. Challenging their politics, in turn, requires challenging their psychological premise that people are incapable of choosing rationally for themselves.

The society in which people have the greatest opportunity to obtain what they properly desire is not one that places their actions under the rule of authority, but one in which they are free to make their own choices. The principle on which such a society is based is not "consumerism," but individualism.

IDEAS ON LIBERTY

Competition and Choice

If producers can't produce what they please—and if you and I can't patronize whom we choose—obviously we have all been deprived of freedom of choice. When you get right down to it, there are only two ways we can ever be deprived of freedom. And both of them involve government in one way or another—either positively by laws against freedom of choice, or negatively by the government's refusal to stop gangsters who interfere with our freedom to choose.

DEAN RUSSELL

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Frank Chodorov

THE DOGMA OF OUR TIMES

WHAT history will think of our times is something that only history will reveal. But, it is a good guess that it will select collectivism as the identifying characteristic of the twentieth century. For even a quick survey of the developing pattern of thought during the past fifty years shows up the dominance of one central idea: that society is a transcendent entity, something apart and greater than the sum of its parts, possessing a suprahuman character and endowed with like capacities. It operates in a field of its own, ethically and philosophically, and is guided by stars unknown to mortals. Hence, the individual, the unit of society, cannot judge it by his own limitations or apply to it standards by which he measures his own thinking and behavior. He is necessary to it, of course, but only as a replaceable part of a machine. It follows, therefore, that society, which may concern itself paternalistically with individuals, is in no way dependent on them.

In one way or another, this idea has insinuated itself into almost every branch of thought and, as ideas have a way of doing, has become institutionalized. Perhaps the most glaring example is the modern orientation of the philosophy of education. Many of the professionals in this field frankly assert that the primary purpose of education is not to develop the individual's capacity for learning, as was held in the past, but to prepare him for a fruitful and "happy" place in society; his inclinations must be turned away from himself, so that he can adjust himself to the mores of his age group and beyond that to the social milieu in which he will live out his life. He is not an end in himself.

Jurisprudence has come around to the same idea, holding more and more that human behavior is not a matter of personal responsibility as much as it is a reflection of the social forces working on the individual; the tendency is to shift onto society the blame for crimes committed by its members. This, too, is a tenet of sociology, the increasing popularity of which, and its elevation to a science, attest to the hold

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collectivism has on our times. The scientist is no longer honored as a bold adventurer into the unknown, in search of nature's principles, but has become a servant of society, to which he owes his training and his keep. Heroes and heroic exploits are being demoted to accidental outcroppings of mass thought and movement. The superior person, the self-starting "captain of industry," the inherent genius—these are fictions; all are but robots made by society. Economics is the study of how society makes a living, under its own techniques and prescriptions, not how individuals, in pursuit of happiness, go about the making of a living. And philosophy, or what goes by that name, has made truth itself an attribute of society.

Frank Chodorov (1887–1966) aptly titled his last book *Out of Step: The Autobiography of an Individualist.* By way of the Henry George School of Social Science in New York City, then editor of his own journal, *analysis,* before its merger with *Human Events,* Chodorov came to Irvington as editor of *The Freeman* in 1954 and 1955.

This essay first appeared in the June 1956 issue of *The Freeman,* later as the introduction to *The Rise and Fall of Society* and now included in *Fugitive Essays,* selected writings of Frank Chodorov compiled, edited and with an introduction by Charles H. Hamilton. (Liberty Press, 7440 North Shadeland, Indianapolis, Indiana 46250), 1980. 430 pages; $9.00 hardbound; $4.00 paperback.

This 1956 commentary is well worth reconsidering twenty-five years later.

Activating the State

Collectivism is more than an idea. In itself, an idea is nothing but a toy of speculation, a mental idol. Since, as the myth holds, the suprapersonal society is replete with possibilities, the profitable thing to do is to put the myth to work, to energize its virtue. The instrument at hand is the state, throbbing with political energy and quite willing to expend it on this glorious adventure.

Statism is not a modern invention. Even before Plato, political philosophy concerned itself with the nature, origin, and justification of the state. But, while the thinkers speculated on it, the general public accepted political authority as a fact to be lived with and let it go at that. It is only within recent times (except, perhaps, during periods when church and state were one, thus endowing political coercion with divine sanction) that the mass of people has consciously or implicitly accepted the Hegelian dictum that "the state is the general substance, whereof individuals are but the accidents." It is this acceptance of the state as "substance," as a suprapersonal reality, and its investment with a competence no individual can lay claim to, that is the special characteristic of the twentieth century.

In times past, the disposition was

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to look upon the state as something one had to reckon with, but as a complete outsider. One got along with the state as best one could, feared or admired it, hoped to be taken in by it and to enjoy its perquisites, or held it at arm's length as an untouchable thing; one hardly thought of the state as the integral of society. One had to support the state—there was no way of avoiding taxes—and one tolerated its interventions as interventions, not as the warp and woof of life. And the state itself was proud of its position apart from, and above, society.

The present disposition is to liquidate any distinction between state and society, conceptually or institutionally. The state *is* society; the social order is indeed an appendage of the political establishment, depending on it for sustenance, health, education, communications, and all things coming under the head of "the pursuit of happiness." In theory, taking college textbooks on economics and political science for authority, the integration is about as complete as words can make it. In the operation of human affairs, despite the fact that lip service is rendered to the concept of inherent personal rights, the tendency to call upon the state for the solution of all the problems of life shows how far we have abandoned the doctrine of rights, with its correlative of self-reliance, and have accepted the state as the reality of society. It is this actual integration, rather than the theory, that marks the twentieth century off from its predecessors.

No Questions Asked

One indication of how far the integration has gone is the disappearance of any discussion of the state as state—a discussion that engaged the best minds of the eighteenth and nineteenth centuries. The inadequacies of a particular regime, or its personnel, are under constant attack, but there is no faultfinding with the institution itself. The state is all right, by common agreement, and it would work perfectly if the "right" people were at its helm. It does not occur to most critics of the New Deal that all its deficiencies are inherent in any state, under anybody's guidance, or that when the political establishment garners enough power a demagogue will sprout. The idea that this power apparatus is indeed the enemy of society, that the interests of these institutions are in opposition, is simply unthinkable. If it is brought up, it is dismissed as "old-fashioned," which it is; until the modern era, it was an axiom that the state bears constant watching, that pernicious proclivities are built into it.

A few illustrations of the temper of our times come to mind.

The oft-used statement that "we owe it to ourselves," in relation to

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the debts incurred in the name of the state, is indicative of the tendency to obliterate from our consciousness the line of demarcation between governed and governors. It not only is a stock phrase in economics textbooks, but is tacitly accepted in many financial circles as sound in principle. To many modern bankers a government bond is at least as sound as an obligation of a private citizen, since the bond is in fact an obligation of the citizen to pay taxes. Those bankers make no distinction between a debt backed by production or productive ability and a debt secured by political power; in the final analysis a government bond is a lien on production, so what's the difference? By such reasoning, the interests of the public, which are always centered in the production of goods, are equated with the predatory interests of the state.

In many economics textbooks, government borrowing from citizens, whether done openly or by pressure brought upon the banks to lend their depositors' savings, is explained as a transaction equivalent to the transfer of money from one pocket to another, of the *same pants;* the citizen lends to himself what he lends to the government. The rationale of this absurdity is that the effect on the nation's economy is the same whether the citizen spends his money or the government does it for him. He has simply given up his negligible right of choice. The fact that he has no desire for what the government spends his money on, that he would not of his own free will contribute to the buying of it, is blithely overlooked. The "same pants" notion rests on the identification of the amorphous "national economy" with the well-being of the individual; he is thus merged into the mass and loses his personality.

"We Are the Government"

Of a piece with this kind of thinking is a companion phrase, "We are the government." Its use and acceptance are most illustrative of the hold collectivism has taken on the American mind in this century, to the exclusion of the basic American tradition. When the Union was founded, the overriding fear of Americans was that the new government might become a threat to their freedom, and the framers of the Constitution were hard put to allay this fear. Now it is held that freedom is a gift from government in return for subservience. The reversal has been accomplished by a neat trick in semantics. The word "democracy" is the key to this trick. When one looks for a definition of this word, one finds that it is not a clearly defined form of government but rather the rule by "social attitudes." But, what is a "social attitude"? Putting aside the wordy explanations of this slippery concept,

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it turns out to be in practice good old majoritarianism; what fifty-one percent of the people deem right is right, and the minority is perforce wrong. It is the general-will fiction under a new name. There is no place in this concept for the doctrine of inherent rights; the only right left to the minority, even the minority of one, is conformity with the dominant "social attitude."

If "we are the government," then it follows that the man who finds himself in jail must blame himself for his plight, and the man who takes all the tax deduction the law allows is really cheating himself. While this may seem to be a farfetched *reductio ad absurdum,* the fact is that many a conscript consoles himself with that kind of logic. This country was largely populated by escapees from conscription—called "czarism" a generation or two ago, and held to be the lowest form of involuntary servitude. Now it has come to pass that a conscript army is in fact a "democratic" army, composed of men who have made adjustment with the "social attitude" of the times. So does the run-of-the-mill draftee console himself when compelled to interrupt his dream of a career. Acceptance of compulsory military service has reached the point of unconscious resignation of personality. The individual, as individual, simply does not exist; he is of the mass.

This is the fulfillment of statism. It is a state of mind that does not recognize any ego but that of the collective. For analogy one must go to the pagan practice of human sacrifice: when the gods called for it, when the medicine man so insisted, as a condition for prospering the clan, it was incumbent on the individual to throw himself into the sacrificial fire. In point of fact, statism is a form of paganism, for it is worship of an idol, something made by man. Its base is pure dogma. Like all dogmas this one is subject to interpretations and rationales, each with its coterie of devotees. But, whether one calls himself a communist, socialist, New Dealer, or just plain "democrat," each begins with the premise that the individual is of consequence only as a servant of the mass-idol. Its will be done.

There are stalwart souls, even in this twentieth century. There are some who in the privacy of their personality hold that collectivism is a denial of a higher order of things. There are nonconformists who reject the Hegelian notion that "the state incarnates the divine idea on earth." There are some who firmly maintain that only man is made in the image of God. As this remnant—these individuals—gains understanding and improves its explanations, the myth that happiness is to be found under collective authority must fade away in the light of liberty.

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Roger Ream

I am convinced that the freedom-of-choice principle is so woven into human existence that any effort to curtail it is an attempt to curtail life itself. To lose our freedom to choose is to lose our humanity.

—Bertel Sparks

PERSONAL freedom of choice is an important aspect of the case for limited government. To the extent that responsibility for self is surrendered to or usurped by government—to the extent that one loses freedom of choice—the individual is thereby diminished. The freedom to choose is part of the very essence of man.

An assault on the peaceful exercise of free choice has been the consequence of most government programs. Whether advocated by conservatives, present-day liberals, or doctrinaire Marxists, all government activity rests on the power to coerce. It removes decision-making power from the individual and vests it in the hands of the state. This is an awesome power, best left in the hands of the many, acting voluntarily, than concentrated in the hands of those few who would compel obedience.

The greatest assault on free choice has taken place in the economic sphere, especially in our roles as consumer, worker, and businessman. This is due to the subtle and roundabout manner in which the assault has taken place. Those quick to defend the concept of free choice in the area of civil liberty often fail to recognize that the concept ex-

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tends to economic liberty as well. Free choice is free choice, whether it involves the exercise of religion, the press, or speech, or whether it involves the expenditure of money or the investment of capital. Unfortunately, most businessmen are as guilty of the failure to recognize this as are the self-proclaimed protectors of civil liberties.

Economic Liberty at Stake

When making the case against government regulation, our arguments should not rest solely on cost/benefit analysis or economic efficiency. Rather, the question comes down ultimately to whether individuals—reporters, ministers, artists, consumers, workers, or businessmen—are entitled to exercise peacefully their freedom of choice. We must recognize that freedom of choice is not exclusively an issue involving civil liberty—the concept pertains to economic liberty as well.

The assault on free choice is easily recognized when it involves civil liberty or where laws specifically prohibit certain activities. For instance, laws which prohibit church attendance, require the use of motorcycle helmets or safety belts, outlaw gambling or ban the sale of laetrile and other drugs clearly limit the exercise of free choice by individuals. That such laws restrict the peaceful exercise of free choice is difficult to deny. However, government regulations aimed at protecting or regulating consumers, workers, and businessmen likewise restrict free choice, but do so in a manner difficult to diagnose. Perhaps if as much emphasis were placed on the case for free choice in the economic sphere as is expressed on behalf of civil liberty, businessmen would have greater success defeating harmful restrictions of their freedom. Furthermore, it is just as important to acknowledge that all restrictions on businessmen ultimately curtail the free choice of consumers. As Ludwig von Mises has written, "The market economy—capitalism—is a social system of consumers' supremacy." In a free market, consumers, by buying or abstaining from buying, are the primary influence on a profit-seeking businessman. Restricting free choice inhibits the businessman's ability to serve consumers.

The assault on free choice in economic affairs has been possible primarily because of an incomplete concept of freedom and an ignorance of the true nature of government. A clear definition of freedom reveals the coercive nature of government activity. Freedom is the absence of coercion—force or the threat of force—in peaceful activities. Free choice, therefore, is the absence of coercion in the peaceful exercise of choice. With a proper understanding of freedom and the nature of govern-

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ment it is possible to examine recent government programs, recognize the presence of coercion, and consequently understand the danger which threatens the survival of the freedom-of-choice principle.

Protectionism

One of the most recent examples of the assault on free choice is the demand for protection against the influx of foreign automobiles. In an effort to protect the owners of American automobile companies and the jobs of American workers, various proposals have been made to limit or regulate the importation of foreign automobiles. Such a regulation would strike at the very heart of the free-choice principle. It would deny American consumers the freedom to choose what type of automobile they wish to drive. It is an anti-consumer, anti-free choice proposal. The American consumer would be as much of a victim of such a restriction as the Japanese producer.

Similarly, all restrictions on free trade curtail free choice. They take the decision-making power away from individuals and vest it in the hands of the state. The consumer is denied the freedom to choose how to spend his money.

A more subtle assault on free choice occurs in the area of employment. Often under the guise of "fairness" or "social justice," legislation is passed which substitutes compulsion for voluntary cooperation and free choice. But it is neither fair nor just to prohibit a worker from freely choosing whether to accept a specific wage offer. Our minimum wage laws deny a worker the choice of selling his labor for less than a politically mandated wage rate. The government intervenes and denies both the employer and the worker the freedom to choose mutually acceptable terms of their voluntary and peaceful relationship. Passing laws which arbitrarily set "proper" pay levels increases conflict in society and shifts decision-making power away from willing buyers and sellers of services over to politicians and special interest groups.

During the 1980 election campaigns, candidates for national office were loudly proclaiming their undying commitment to social security. To suggest that saving for retirement be voluntary was considered one of the worst possible political blunders. This is an indication of how far we've wandered from the principles upon which this nation was founded. It has become a political death wish to argue that citizens should be allowed free choice to decide how much—if anything—they wish to save from their weekly paycheck. Whatever happened to the individual's unalienable right to his life, liberty and property? Compulsion seems to have become a more cherished principle than free choice.

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Another area where the role of free choice is often overlooked concerns profits. In a free market, profit and loss derive from consumers exercising their free choice. The consumer is sovereign. He decides whether to buy a Chrysler or a Toyota; to purchase from Mobil, Exxon, or Shell, or to take the bus to work. Both profits and losses are primarily a result of the exercise of free choice by consumers. Ultimately, consumers determine which producers will be rewarded and which will fail.

Assaults on free choice take the form of coercion and conflict. The basis of relationships among individuals becomes compulsion rather than voluntary cooperation.

When wage rates are determined by mutual agreement of employer and employee, jobs open up for all who want to work. Likewise, allowing free choice to determine profit and loss maximizes consumer satisfaction. Allowing individuals free choice to save for their retirement is an effective means to security in old age. And allowing free choice in trade means increased harmony among nations and a higher standard of living for all people of the world.

Freedom of choice is a prerequisite of moral behavior. Herbert Spencer observed that "the ultimate effect of shielding men from the effects of folly is to fill the world with fools." Abridging freedom of choice, even the freedom to make mistakes, will create a world of fools and failing enterprises.

It is important that we respect the freedom-of-choice principle. Governments, whose proper role is to defend this concept, have far too often been the violator of it. The idea that people will be better off if their freedom to choose is restricted is absurd. It leads to the tyranny of *1984* and *Brave New World*. As Aldous Huxley warned in the latter book:

"Government by clubs and firing squads, by artificial famine, mass imprisonment and mass deportation, is not merely inhumane—it is demonstrably inefficient. A really totalitarian state would be one in which the all-powerful executive or political bosses and their army of managers control a population of slaves who do not have to be coerced, because they love their servitude."

Upholding the freedom to choose is the alternative to such servitude. A two-pronged approach is necessary. Businessmen must emphasize the role of free choice when defending their profits or opposing government interventions. And those quick to proclaim the importance of free choice in the realm of civil liberty—if they desire consistency—must defend a businessman's exercise of free choice. Together these forces can guarantee an increase of freedom throughout society.

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Joe Cobb

Planning for an Emergency—Let the Market Work!

ON September 30, 1981, the Emergency Petroleum Allocation Act will expire. Some members of Congress and the Department of Energy are beginning to think about extending the emergency provisions of the law, or drafting new standby plans. The National Petroleum Council's committee on U.S. emergency preparedness has begun work on a study of the nation's ability to cope with a cutoff in oil imports between now and 1985. The war between Iraq and Iran makes this entire issue newsworthy, and critical.

The NPC committee is developing a plan to coordinate industry and government in several areas: curtailing demand, substituting other fuels, distributing available supplies to priority users, determining when to tap the Strategic Petroleum Reserve, and relating U.S. emergency planning to obligations under international agreements.

Although several committee members at a recent meeting made strong statements in favor of the free market, there is an emerging danger that any such study or plan will most strongly endorse mandatory allocations, price controls and rationing, and will attempt to prevent profiteering, speculation, and black-market trading. A new study prepared for DOE by Resource Planning Associates of Cambridge, Massachusetts, came to just such conclusions—due to the methodology they used in their study. This is the result of a common prejudice against the free market—the belief that it is capricious and accidental in its operations and that only a deliberately built structure could possibly be "rational" or "equitable" in an emergency.

There are several important economic and philosophical issues that we hope the NPC committee will note as it completes its study. In sum, they involve the nature of dislocation, information, motivation, and equity. Underlying the prejudice against profits is a misunderstanding about market behavior and our society's basic coordination pro-

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cess. The free market is an example of a coordination system in which millions of people can quickly adjust their activities to one another without the need to know details about who, what, why, where, and the like. If a certain price goes up, consumers are informed, and motivated, to reduce consumption—and producers are informed, and motivated, to increase production. A higher price will also attract new producers or purveyors of substitute products into the market.

An emergency, such as the sudden cutoff of oil from the Persian Gulf, would cause a massive dislocation in the American economy. The OPEC nations have said that their next embargo would not be targeted at any one country because the international oil sharing agreement would blunt the effect; so any oil cutoff would affect the entire industrialized world. The problem for the victims of such a cutoff is to adjust to the smaller energy supply. What is the quickest, most efficient, most adaptable process of economic innovation? The unconstricted free market has proven itself time after time.

Of course, there are political ways for individuals to adjust to a changed environment, and there are economic ways. The political ways are available only to a privileged class of people who have the power to insulate themselves from the problems and force everyone else to bear a double burden. In contrast, the economic ways of adjustment to changed circumstances ultimately benefit all members of society; the poor benefit even more in the long run because economic opportunity and growth are not suppressed by the political authorities in the process of erecting rigidities and special privileges for favored, more powerful groups.

The economic adjustment process is first and foremost an information problem. The issue is how to discover the most efficient path away from the dislocation. Importantly, the information most needed to answer the millions of specific questions is not centralized in Washington; it is not even statistical information. Nobel Laureate F. A. Hayek, in his famous analysis, "The Use of Knowledge in Society," (*American Economic Review,* Vol. 35, September 1945, pp. 519–30) demonstrated that each individual's perception of economic opportunity and knowledge of local supply and demand conditions is actually *more important* than the kinds of data that government agencies can collect. During an emergency, the least effective thing to do would be to wait passively until some central authority gave instructions.

Only the process of a free market, with scarce resources allowed to command prices that *ipso facto* communicate important data about the

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urgency of needs and the availability of supplies, can make effective and speedy use of the information that each person has. You only have to think about the aftermath of a major hurricane or an earthquake to understand how important are the efforts of every individual, and to appreciate how valuable an effective communications system can be. If the supply of imported oil should be cut off, the price people might be willing to pay in different cities and for different uses of the available domestic supply would be the only effective mode of communication. Our experience with Department of Energy allocation regulations in 1973 and 1979, when motorists lined up at gasoline pumps, testifies to the inefficiency of the bureaucratic non-market.

In planning for an emergency, society will need the help of every capable person. Not only must each individual's particular knowledge be available for use, but the motivation to use it must be there. It is easy for government to take motivation for granted because clichés of duty and patriotism are common coin in Washington. Yet, as every school teacher or office supervisor knows, without real, self-interested motivation, people will only pretend to do what they are supposed to do; real accomplishment will be minimal. Not only should the emergency preparedness study recommend that free market prices be used to allocate oil supplies, but those who deliver oil to the market should be permitted to keep their profits. Without genuine, after-tax rewards for producers and suppliers—and even speculators, who attempt to predict future requirements (and often lose money)—the free-market process won't operate. No amount of wishful thinking about brotherly love and self-sacrifice will help bring energy to the people who may need it most during an emergency.

The dominant theme during an emergency ought to be: Solving the problem. The risk, however, is that greed, envy, and spitefulness will take over. Some people are going to be hurt more than others when the crisis begins. That is the nature of a crisis—it happens during earthquakes and hurricanes, and economic crises are no different. There is a common view that everyone ought to suffer equally, or at least that no one should profit from another's pain. This is the logic of price controls and rationing. It is also the clever façade under which greed, envy, and spitefulness operate.

Economics, as a science, can demonstrate certain regular consequences of policy decisions. The results of price controls and rationing are shortages and misallocations. In the wake of shortages and misallocations, we usually observe bribery and corruption also. When the eco-

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nomic process becomes corrupt, it is much less efficient because resources are diverted from solving the original problems that concerned the policymakers, and much productive effort is directed instead toward making the corrupt system work. Nobody in his right mind should want to see corruption and inefficiency, especially during an emergency.

The question of equity, therefore, is the most difficult political issue to resolve. Greed, envy, and spitefulness will have advocates who will worry very little about solving the long-run problems of the crisis—that is, adjusting to the economic changes that are forced upon us. They will concern themselves, instead, with questions about redistributing other people's money and helping particular groups at the expense of others. Politicians love this sort of game; it makes them appear valuable both to special-interest groups and to the innocent, trusting voters back home.

As we have seen, however, the long-run problems of the crisis can only be solved by a free market, and those active in the market who make the right decisions will earn financial rewards. The correct expression of equity, then, is not a matter of redistributing but of protecting the honestly earned rewards of those who contribute toward solving economic problems. After all, ending a crisis has to be a better solution to the emergency needs of the poor than patch-work measures that just make it easier to suffer.

What specific recommendations should the National Petroleum Council make in its report on emergency preparedness? One recommendation in particular would have more impact than hundreds of detailed plans and descriptions of petroleum needs and transportation facilities. This would be the simple declaration of public policy that in an emergency the government will bind itself to respect the private-property rights of its citizens and that the courts would enforce the common law of contracts.

The uncertainties imposed by government make private planning impossible; the expectation that speculative profits would be outlawed makes it impossible for the free market to hedge some of the risk.

There is no happy medium between government planning and private planning for a future emergency. Government planning crowds out private planning, just as a fox in the hen house stops the production of eggs. The only way the United States may survive a major energy emergency between now and 1985 is to open the way for private planning and a free market to prepare for rapid and efficient adaptation to any crisis.

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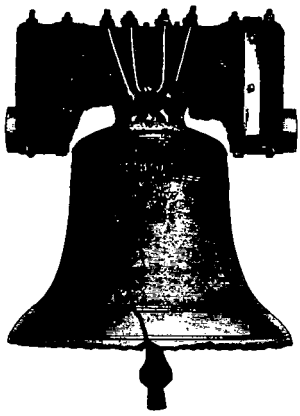
W. H. Hillendahl



Reasserting the Spirit of '76

A FRESH SPIRIT of change is in the air. It has swept into the Office of President a man who, as the Governor of California, has shown his dedication to the principles of limited government. It has carried into ascendancy in the halls of congress men who by their records have demonstrated their commitment to support constitutional principles which were designed to protect individual liberty.

Let us seek the roots of that spirit. Perhaps we may find the key to curing what the late Dean Clarence Manion termed "Cancer in the Constitution."[1]

An examination of the Declaration of Independence will produce several important clues: "(Men) are endowed by their Creator with certain unalienable rights . . . among these are life, liberty and the pursuit of happiness." ". . . to secure these rights governments are instituted . . . deriving their just powers from the consent of the governed." Government is to be founded on principles and its powers organized in such form "most likely to effect safety and happiness."

Men capable of expressing thoughts such as these had of necessity developed an inbred sense of self-reliance. They were God-fearing, Bible-reading people who were accustomed to taking responsibility for their own actions. Whence would they likely receive guidance for these ideas of liberty? We know they invariably looked to the Bible as the source of inspiration and direction. So let us follow their steps.

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This article is from an address of November 19, 1980, before the Hawaii Chapter of the Freedoms Foundation at Valley Forge.

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James, the President of the church at Jerusalem, was eloquent in translating the spirit of the Old Testament law into Christianity. In Chapter 1:25 he wrote: "But whoever looks into the perfect law of liberty and abides in it is not merely a hearer of the word which can be forgotten, but a doer of the work, and this man shall be blessed in his labor."[2] In Chapter 2:11, James admonished those who have broken the commandments: "You have become a transgressor of the law . . . so speak and act as men who are to be judged by the law of liberty."[3] This clearly denotes that individuals are to be held responsible for their choices and actions. Irresponsible actions are to be judged accordingly.

Paul wrote from Corinth encouraging the Galatians to maintain Christian liberty. Chapter 5:1, "Stand firm therefore in the liberty with which Christ has made us free, and be not harnessed again under the yoke of servitude." In Romans 8:21 we find that servitude is the bondage of corruption. Then in Galatians Chapter 5:13 and 14, "For my brethren you have been called to liberty, only do not use your liberty for an occasion to the things of the flesh, but by love serve one another. For the whole law is fulfilled in one saying that is: You shall love your neighbor as yourself." Underlying liberty is freedom of choice. We are admonished to make only responsible choices. Our actions should focus on service rather than on the accumulation of wealth as an end in itself. To live within the laws of the Commandments also includes the prohibition of making laws which institutionalize greed, envy, lust, or coveting of property. So herein is the spirit of the law.

The Purpose of Law

As to the purpose of law, we may turn to the great English judge, Sir William Blackstone, who said "The principal aim of society is to protect individuals in the enjoyment of those absolute rights which were vested in them by the immutable laws of nature. . . . The first and primary end of human laws is to maintain and regulate those 'absolute' rights of individuals."[4] The Frenchman, Frederic Bastiat, in his pamphlet on *The Law* wrote: "We hold from God the gift which includes all others. This gift is life—physical, intellectual and moral life. . . . Life, faculties, production—in other words, individuality, liberty, property—this is man. And in spite of the cunning of artful political leaders, these three gifts from God precede all human legislation, and are superior to it.

"Life, liberty and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty, and property existed beforehand that caused men to make

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laws in the first place. . . . The law is the organization of the natural right of lawful defense. It is the substitution of a common force for individual forces. And this common force is to do only what the individual forces have a natural and lawful right to do; to protect persons, liberties, and properties; and to maintain the right of each, and to cause justice to reign over us all."[5]

Constitutional Law—Power to the People

In the United States Constitution we find a codification of the Biblical laws. It provided for the protection of life, liberty, property and the pursuit of happiness. It provided for the freedom of choice of individuals with implied self-responsibility for their actions, and the protection of individuals against those who would abridge or infringe those rights. A society wherein individuals are free to choose requires a government supported willingly by the consent of the governed. Individuals who choose to be free must be willing to support laws which protect the rights of all others who choose to be free. This constitutes a free and open society wherein each can choose to serve God and mankind in the ways of his own choice, free from the will of others.

At the same time, the men who drafted the Constitution accepted the fact that individuals are corruptible. They are subject to temptation; they can be envious, and greedy; they may steal, or covet property. As someone has said, each man has his price, and it is indeed a rare individual who is totally incorruptible, given the opportunity to gain power. So their principal concern was how to develop a legal framework that would prevent corruptible individuals or groups from acquiring power to infringe on the rights of other individuals. The key word is power. The division of power, fragmentation of power, and the checks and balances of power extend through the entire fabric of the Constitution. A horizontal division of power was provided in the form of legislative, executive and judicial separation. A vertical division of power appears in the form of the federal, state and local governments. The goal was to limit opportunities to concentrate powers taken from the people.

Limiting the Government

The Bill of Rights includes a set of specific "thou shalt nots" which were designed to constrain the federal government from infringing on specific individual rights. In substance, the Constitution is a document which was designed to hold in chains the powers and authority of the federal government along with those who would use government to further their own ends.

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For such a system to survive requires a continual effort toward maintaining the distribution and balance of power at all times. During a speech in Ireland on July 10, 1790 John Curran warned, "The condition upon which God hath given liberty to man is eternal vigilance."

The guarantees of "freedom to"—to choose, to try and to fail—can only be made under a government which is restricted from interfering with individual choices. In contrast, the constitution of the Soviet Union and the United Nations charter are vehicles of unlimited power. Their goals of "freedom from"—from war, disease, want, unemployment and the like—can only be enforced by an unlimited central authority and bureaucracy.

Being aware that neither the Constitution nor statutory law can ever change the nature of man, nor force him to be what he cannot or will not be, we may ask how successful were the framers of the Constitution. We live in an imperfect world. It is an imperfect Constitution and we are imperfect individuals. Yet for nearly two centuries with freedom of opportunity the people of the United States increased their standard of living more rapidly than did those of any other nation in the world. Given the choice, the acid test is whether one would rather live in the United States or somewhere else in the world. The vast influx of legal and illegal aliens speaks for itself.

The Problems of Government—Man Was Made Vain

Yet we are troubled today; inflation, unemployment, economic instability, housing shortages, high taxes, high interest rates, are but a few of our problems. How do the conditions underlying the problems of today compare with the concerns and grievances of the Founding Fathers? Let's look again at the Declaration of Independence. The signers were concerned about "relinquishing the rights of representation in the legislature." Today we are concerned about centralized government and administrative law.

In 1776 they were concerned about being "exposed to dangers of invasion from without and convulsions from within." Increasing numbers are concerned about our defense posture today and the problems of internal unrest.

They complained that "judges were dependent on the will (of the King) for tenure of their offices." Today's judges are political appointees who, to a significant extent, legislate according to their ideologies rather than seek precedent for decisions.

The Founders were concerned about "a multitude of new offices," and we are concerned about burgeoning bureaucracy.

They were concerned about "im-

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posing taxes without our consent." Who isn't concerned today about high taxes, consent or otherwise?

They were concerned about "deprived . . . benefits of trial by jury." Today administrative law has gone a long way to the same end, and has altered fundamentally the forms of government.

They complained about exciting "domestic insurrections among us." Today who is not concerned about crime and personal safety? The very survival of our system is threatened by the encroachment of a totalitarian ideology.

Are we not faced again today with the problems of 200 years ago? We are in fact encountering an ageless collision with a destructive ideology. Paul wrote in his letter to the Romans 8:20, 21, "For man was made subject to vanity. . ." (Definitions of vanity include, "inflated pride of one's self," or "emptiness, worthlessness." We may ponder the significance of this polarity of meaning.) "For man was made subject to vanity, not willingly, but by reason of him who gave him free will in the hope that he would choose rightly. Because man himself shall be delivered from the bondage of corruption into the glorious liberty of the Children of God."

Or perhaps more clearly, man (of) himself shall be delivered . . . Man only by his own choice of responsible thoughts and actions can achieve the soul growth that is required to achieve grace, and entrance into the Kingdom of God.

But in fact, has he chosen "rightly"? In spite of the commandment "Thou shalt not covet thy neighbor's property," we have permitted laws to be passed which, taken all together, confiscate almost half of our neighbor's property via taxes in the vain concept of doing good. These vain thoughts manifest in a number of syndromes:

- The "welfare" syndrome which enforces the privilege of the few at the expense of the rights of the individuals who constitute the body politic.
- The "free lunch" syndrome which looks on dollars sent from Washington as free. If we don't get them someone else will.
- The "meddling in the affairs of others" syndrome in which individuals feel compelled to attempt to solve the problems of others rather than minding their own business and concentrating on solving their own problems.
- Similarly, the "let George do it" syndrome considers today's problems to be too complex to be solved equitably at the state or local level—they must be sent to Washington.
- The "exploitation" syndrome in which the producers in society are held to have victimized those less stationed. Therefore the producers

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must be chained with regulations and their ill-gotten profits must be taxed away.

- The "victims of society" syndrome maintains that criminals are the innocent victims of society—they cannot be held responsible for their crimes or misdeeds; therefore they must be pampered and "rehabilitated" rather than punished, while many live in fear that they may be the next victims.
- Finally, the "homogenized milk" syndrome which is destroying all natural affinity groups and is forcing all people to live and work together on the basis of a "social adjustment" formula of equality based on race, color, creed, or whether one fancies dogs, cats, horses or white rats.

These syndromes are all manifestations of an ideology that is anathema to liberty. They reflect the attitude of those who lack faith in the ability of each individual to solve his or her own problems; hence, a forced redistribution of society is necessary to overcome maladjustments.

The thermometer of a redistributive society is what? Inflation. Inflation is a measure of the maldistribution of wealth via government—no more, no less. The underlying motivating forces and the mechanics of inflation are complex and widely misunderstood. Yet no one in good conscience can deny the necessity to help those who are in a condition of misfortune. However, today much redistributed wealth is going to those who have established vested positions of privilege. The consequence is that regardless of how legitimate a given cause may be, the total burden of aggregate causes on the nation has exceeded the carrying capacity of its productive resources to the point where inflation is an unavoidable condition. The problem goes far deeper than any transient federal administration, its roots extend back through decades. Inflation is the manifestation of vain thoughts and ideas applied cumulatively since the Civil War. It represents the misapplication of free will and an accumulation of a vast number of wrong choices.

The Redistribution of Power

What have been the mechanics of change wherein these false doctrines have gained ascendancy?

Dr. Cornellius Cotter, Professor of Political Science at the University of Wisconsin, appeared before a special Senate committee in April, 1973.[6] He remarked: "You know, Senator Mathias, it has been said—and, I think wisely so—that if the United States ever developed into a totalitarian state we would not know it. We would not know that it had happened. It would be all so gradual, the ritualism would all be re-

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tained as a facade to disguise what had happened. Most people in the United States, in official position, would continue to do the sorts of things that they are doing now. The changes would have all been so subtle although so fundamental that people generally would be unaware."

Senator Church responded, "That is the way it happened in Rome, is it not?"

Dr. Cotter: "Indeed."

Senator Mathias: "No Roman was more deferential than Augustus."

Dr. Cotter: "Exactly."

Senator Church: "And kept the Senate happy, although the Senate had lost its power."

So this age-old collision of ideas is producing very subtle changes in the power structure of the United States. The mechanism of change involves power, its balance and the concentration. Four simultaneous flows have been underway for a century: (1) Power from the Congress to the Executive Branch, (2) power from the Congress to the Supreme Court, (3) power from the states to the federal government, and (4) power from individuals to the government.

Judicial Abuses

Let's examine some of these flows of power. First, the Supreme Court. The Bill of Rights expressly forbids the federal government to interfere with the fundamental personal liberties of individuals in this society. That's clear enough. As an outfall of the Civil War, the 14th Amendment was adopted in 1868. This amendment forbids the states to interfere with the rights of the people. However, it had a devious intent, namely to give Congress control over the people of the South. But in 1873 the Supreme Court thwarted that intent in the "Slaughterhouse Cases." For half a century an ideal situation prevailed in which both the federal government and the states were constrained by the Constitution and its amendments from interfering with the liberties of the people.

However, in more recent years a subtle but profound change has been effected by the Supreme Court. Dean Clarence Manion wrote, ". . . . For the 32 years of service together on the Supreme Court, Justices Black and Douglas have been repetitiously citing each other as authority for a gross and gratuitous misconstruction of the First and 14th Amendments."[7]

"The accumulation of these malignant constitutional misconstructions of the first eight amendments with the 14th has placed a cancer near the heart of our constitutional system which is proliferated with each successive term of the United States Supreme Court."[8] Essentially, today the Court has legislated its jurisdiction over the rights of people by effectively merging the

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Bill of Rights into the 14th Amendment and reversing its position in 1873.

The specific consequences of the Black and Douglas decision were highlighted in an editorial which appeared in the *San Diego Union:* "The United States Supreme Court has returned three more decisions drastically altering the pattern of American life.

"For more than 15 years now the Court has been steadily rewriting the laws and reinterpreting the Constitution to suit the ideological bias or judicial whims of its members . . .

"In recent days the Supreme Court has ridden over states' rights abolishing residency requirement for relief, sidestepped a ruling in a case of burning the American Flag, and placed further restrictions on law enforcement by freeing a convicted rapist because the police took his fingerprints in some legal hocus-pocus . . .

". . . Court majorities in those 15 years have returned more than 30 decisions . . . . have brought about basic and often demoralizing changes in the fields of politics, criminal procedure, religion, race relations, subversion and communism, antitrust laws and obscenity.

"The Court has told the states how they are to portion their legislatures, granted avowed Communists the run of defense plants; made a criminal's confession almost impossible to use; approved even secondary school demonstrations against the South Vietnam war; banned prayers or reading of the Bible in public classrooms; ruled that passports cannot be withheld from Communists just because they are Communists; and held that deserters from the armed forces, even in wartime, cannot be stripped of citizenship. . . .

"In the notorious Keylishian case, a majority opinion held that a college professor may not be dismissed for teaching and advocating, in college, or anywhere, the overthrow of our government by force and violence . . .[9] The Court, once the ultimate in both prudence and jurisprudence, is now the darling of the liberal radicals; it has done for them what the Congress has refused to do."[10]

This is a most concise summary of the consequences of the Court's abrogation of states' rights and the jurisdiction of Congress.

Courts Take Charge as Congress Forfeits Control

At this point, the more perceptive will grasp the real issue which underlies the polarization of the Nation concerning the Equal Rights Amendment. Under the facade of women's rights, the real objective is to deliver the jurisdiction for defining the rights of all individuals into the hand of a congress which has al-

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ready defaulted its jurisdiction to the legislative whims of the Supreme Court. At the heart of the opposition to ERA are those who recognize its passage would give validity to the Supreme Court's abridgement of the Bill of Rights, and encourage further intrusions into the private affairs of individuals.

As a curtain over these actions, a myth has been erected which holds that Supreme Court decisions are the "Law of the land." It presumes that once the Court takes a position on a case, every similar case would be adjudged that way. In actuality, each ruling is the "law of the case." It is possible for a court, made up of the same or different justices, to arrive at a different interpretation if it were to rule on a similar case.

Under a second myth, the prevailing belief is that Congress has no control over the Supreme Court, hence, Congress has no way to redress the sorties of the Court into the legislative arena. Such an alleged lack of control is far from fact. Congress enacted the first Federal Judiciary Act in 1789 and this act has been employed to apply its unquestioned constitutional power over the jurisdiction of all Federal courts.

The Congress by a wide margin recently voted to deny the Supreme Court the right to spend appropriated funds to conduct hearings into school busing cases, in effect, denying the court jurisdiction.

Dean Clarence Manion held that a major step will be taken toward rectifying the consequences of the Court's unconstitutional decisions when the Congress restricts, abolishes or controls selected types of appellate jurisdiction of both the Supreme Court and all other Federal Courts.[11] A federal court system comprised mainly of judges and justices who are committed to upholding the original tenets underlying the Constitution, can do a great deal to curb the judicial misuses and excesses which have prevailed in recent years.

Legislative Abuses

For many decades the Supreme Court routinely struck down as unconstitutional various acts passed by Congress which infringed on the Bill of Rights. However, over the last two decades the Congress, taking its cue from the Black-Douglas Supreme Court decisions, has enacted a number of bills which have intruded ever-increasingly into those rights which were originally held to be out of bounds. These intrusions are being felt by the public in their opportunities for employment, work environment, on the highway, in the air, while shopping and banking, in schools, among family relations and in the home. While obviously accomplishing some benefits, the bulk of this legislation has been undertaken in response to the highly vo-

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cal, sometimes rowdy, pressure of special-interest groups. In the main, these intrusions have caused vast numbers of people to become outraged, resentful and rebellious.

In its attempts to legislate social justice and equality, the Congress has cut to the core of the mores of the incredibly complex but generally balanced and tolerant American society.

The wisdom of those who insisted on including the Bill of Rights in the Constitution is gradually seeping into the subconscience of all but the most hardheaded advocates of reform by coercion. It would be a wise Congress indeed that undertook to reverse or modify these unconstitutional intrusions which prior congresses have made over the years.

Executive Abuses

The scope of the powers of the executive branch has been expanded enormously, particularly in recent years. Authority of the office of the President has increased while departments, commissions, boards and agencies have proliferated.

Professors Cotter and Smith determined that the powers entrusted by Congress to the Executive Branch can be grouped in four categories: (1) Powers over persons, (2) powers to acquire property, (3) powers to regulate property, and (4) control of communications.[12]

Executive Orders: The President normally employs Executive Orders to implement the efficient conduct of the daily routines of the office.[13] However, several presidents have employed Executive Orders to conduct international relations and to effect legislation.

For example, President Roosevelt used an Executive Order in 1933 to establish diplomatic relationships with the Communist regime in Russia at a time when it was unlikely that such action by Congress would have been supported by a consensus of the people.

Under the pressure of time, the President has employed emergency orders properly in the declaration of national emergencies. However, one would believe that matters as basic as the legal framework for the conduct of government under such national emergencies would be given extensive examination by the Congress in the process of passing suitable laws. Such is not the case.

President John F. Kennedy issued a series of Executive Orders in 1962 which established a comprehensive legal framework to deal with any national emergency as defined by the President or the Congress.[14] On its face, this would appear to have constituted an unwarranted intrusion into the legislative process.

On October 11, 1966 President Lyndon Johnson issued Executive Order 11310 which continued the process by transferring the author-

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ity granted under the emergency orders from the Office of Emergency Planning to the Department of Justice.

President Richard Nixon also gave attention to updating the emergency orders while in office.

Early in the 1970s Congress became sufficiently concerned about the existence of national emergencies that the Senate established a Special Committee on the Termination of the National Emergency.[15] This led in 1976 to the passage of the National Emergencies Act.[16] This act terminated all existing declared emergencies and established procedures and limits for the declaration of future national emergencies.

The matter took on new impetus when, on July 20, 1979, President Jimmy Carter issued two new Executive Orders:

(1) E.O. 12148 Federal Emergency Management, which authorized a thorough overhaul of both civil and war emergency procedures and placed them under a newly created Federal Emergency Management Council.

(2) E.O. 12149 Federal Regional Councils, which established councils for ten standard federal regions, their principal function being to implement federal programs.

Taken separately or together these Executive Orders provide wide-ranging ramifications when analyzed from the point of view of the powers delegated to these Councils. While these structures may be thought of as logical provisions for the implementation of federal policy, increasing numbers of states are taking the position that Regional Councils constitute a major intrusion into their autonomy.[17]

Such widespread reaction would lead one to conclude that a deep rift has developed in the power structure as a consequence of the thrust underlying these Executive Orders. As a consequence of these and other Executive Orders, a broad review by Congress of their use and abuses should lead to establishing guidelines which define appropriate uses of Executive Orders by the Executive Branch.

Administrative Law: The myriad of statutes, regulations and codes by which the various departments and bureaus of government administer their operations under the Executive Branch constitute administrative law. In large part they are established to implement details of the broad language of the acts of Congress. These regulations are essential to the smooth and orderly functioning of government.

Nevertheless, the structure of departments which combines executive, legislative, and enforcement or judicial functions, provides a concentration of power and authority which lends itself to potential bureaucratic abuses. Among many

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> The history of liberty is a history of the limitation of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the processes of death, because concentration of power is what always precedes the destruction of human liberties.
>
> —**Woodrow Wilson**

possible examples, congressional hearings have revealed that the detailed statutes developed in administering the Occupational Safety and Health Act (OSHA) went far beyond the intent of the act, and provided the basis for executive abuses and deliberate harassment, in particular of small business. Many are aware of instances in which the Antitrust Division of the Justice Department, using the charge of conspiracy and restraint of trade, has imposed fines and/or jail sentences though the accused firms and their officers were innocent. These firms chose to make payment under a plea of *nolo contendere* because the legal fees required to establish their innocence would exceed the fine.

Administered properly, government agencies should facilitate trade and commerce, and protect the various interests of the people. At best, administrative law can only regulate, prohibit, or constrain individuals or groups from imposing on the rights of others. However, in increasing numbers of cases the bureaucracy has gone far beyond its legitimate functions. One may find dozens of magazine and newspaper articles reciting wasteful or counterproductive bureaucratic activities, and arrogant abuses of power.

Today the friction and costs to society of the bureaucracy have reached destructive proportions. These excesses must be brought again under control. The implementation of reforms is too broad a subject to address here. A comprehensive report by the Heritage Foundation[18] has recommended a broad platform of reforms to President-Elect Reagan "to roll back big government." Included are specific recommendations concerning Executive Orders and administrative law. Implementation of these recommendations should go a long way in restoring a proper balance of power.

Revitalizing the American Dream

The foregoing are but a few examples of the restructuring of power which has been achieved during the last century. They have been selected to illustrate the vast departure from the spirit in which the Constitution was written some 200 years ago. As a consequence, people in all walks of life—both the providers and the recipients of government aid—are hurting as they have

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never hurt before. The thermometer—inflation—shows that the waters of our economic and political environment are approaching the boiling point. Not one amongst us is immune to the heat.

In the face of these adversities, a new spirit is emerging in the land. The new religious revival extending from neighborhoods to nationwide television is a new expression of the old Spirit of '76. People are going back to basics. They are thinking, questioning, and organizing.[19]

The overwhelming choice by the electorate of a new administration dedicated to redressing these abuses of power is a manifestation of the revival of the spirit.

The retirement of many congressmen who have aided and abetted this misdirection of power, together with the election of other congressmen who affirm the original precepts of the Constitution are further manifestations of the spirit.

Yet this is only a beginning. We must not expect miracles from any administration, nor can any of us escape the painful process of readjustment. We are presently in a position to achieve a victory in this battle. But the foes in the ageless war for the minds of men are not to be easily vanquished. It will require years of unrelenting effort to overcome the damages which have been incurred by the Republic.

We know in our hearts that cold, impersonal welfare will never succeed loving charity. Government can never provide security to replace self-reliance. No government can accomplish those things we must do for ourselves if our souls and spirits are to expand. If we are to restore the American dream we must never again become complacent and allow ourselves to be overridden by those who are in a vain quest for false goals.

Let us again restore the balance between spiritual and material values. The institutions of church and state are inseparable, they are as inseparable as two ends of a rope, each is a manifestation of the spirit and substance of society.[20] We may recall that the spirit of liberty was heralded from every pulpit during our Revolutionary War. I maintain that Spirit of '76 has never really disappeared, we have simply allowed it to become encrusted with false doctrine.

Paul offered words of encouragement: "Stand firm therefore in liberty with which Christ has made us free. Be not harnessed again under the yoke of servitude . . . . the bondage of corruption." James urged us: "So speak and so act as men and women who are to be judged by the law of liberty." Let freedom-loving individuals prevail by reasserting the Spirit of '76.

See next page for footnotes.

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—FOOTNOTES—

[1]Clarence E. Manion, *Cancer in the Constitution* (Shepherdsville, Ky.: Victor Publishing Company, 1972).

[2]*Holy Bible,* trans. George M. Lamsa (Philadelphia: A. J. Holman, 1957). This version is translated into English from the Aramaic, the language of Jesus and is recognized for accuracy and clarity of expression.

[3]The law of Liberty within the context of Bible usage expresses freedom of choice with consequences. All thoughts and actions cause reactions for which we are to be held accountable. The Law of Liberty is the Christian counterpart of the Sanscrit term, Karma.

[4]James Mussatti, *The Constitution of the United States, Our Charter of Liberties* (Princeton: D. Van Nostrand Co., Inc., 1960), p. 9.

[5]Frederic Bastiat, *The Law,* trans. Dean Russell (Irvington-on-Hudson: Foundation for Economic Education, Inc., 1950), pp. 5,6,7. (*The Law* was first published as a pamphlet in June 1850.)

[6]U.S. Congress, Senate, Special Committee on the Termination of the National Emergency, *National Emergency, Part 1 Constitutional Questions Concerning Emergency Powers,* Hearings before the Special Committee of the Senate, 93rd Cong., 1st sess., April 11,12, 1973, p. 29.

[7]Manion, p. 33.

[8]*Ibid.,* p. 35.

[9]As a consequence of this Supreme Court decision, by 1975 an estimated 2,000 campus "radical economists" who "respect the point of view of Mao" and who believe in "a socialism of affluence" were members of the Union of Radical Political Economists. (*Los Angeles Times,* December 21, 1975).

[10]*San Diego Union,* April 28, 1969.

[11]Manion, p. 27.

[12]C. P. Cotter and J. M. Smith, *Powers of the President During Crises* (Washington, D.C.: Public Affairs Press, 1960).

[13]Executive Orders are issued by the President, reviewed by the Office of Legal Counsel and published in the Federal Register. They become law unless rescinded by Congress within a specified period of time.

[14]Executive Orders including numbers 10995, 10997, 10998, 10999 and 11000, 11001, 11002, 11003, 11004, 11005 and 11051 define procedures during war, attacks or other emergencies for executive control of communications, energy, food and farming, all modes of transportation, civilian work brigades, health, education and welfare functions, housing, public storage and so on.

[15]U.S. Congress, Senate, *National Emergency.*

[16]*National Emergencies Act,* U.S. Code, vol. 50, sec. 1601—51 (1976).

[17]Extensive hearings on regional governance have been conducted by legislative committees in a score of states. The proceedings of these hearings appear in bulletins published by the Committee to Restore the Constitution, Inc., P.O. Box 986, Fort Collins, Colorado 80522.

[18]Charles Heatherly, ed. *Mandate for Leadership* (Washington, D.C.: Heritage Foundation, 1980).

[19]For an example of grass roots organization see "The Pro-Family Movement: A Special Report" in *Conservative Digest* 6 (May/June 1980). Responding to this movement, Senator Paul Laxalt has introduced S. 1808, The Family Protection Act, designed to strengthen the American family and to promote the virtues of family life.

[20]Into the artfully contrived rift between church and state has been driven the wedge of Humanism. According to the book *The Assault on the Family,* "As a religion, Humanism demands the end of all religions that are God oriented, and the abolition of the profit-motivated society, so that a world utopian state may be established which will dictate the distribution of the means of life for everyone." See "Our Last Opportunity" in *Don Bell Reports,* November 13, 1980.

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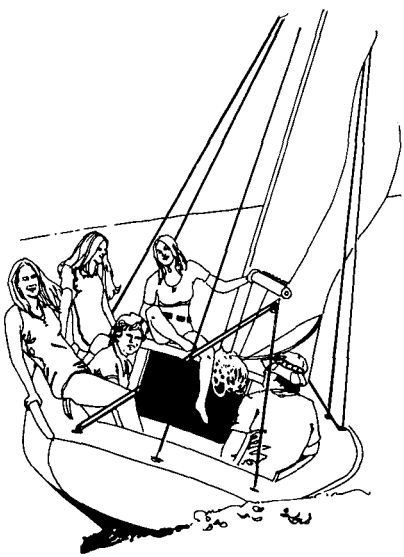
Dale Haywood

Self-Interest at Work



THERE is no need to apologize for the self-interest of human beings and the desire to earn a good living that follows from it. This is simply the way we are.

In a free enterprise system based on private property and the profit and loss system, earning a good living very frequently translates into efficiently performing a service or manufacturing a product which others value and for which they are willing and able to pay.

This was pointed out by Adam Smith more than 200 years ago in *An Inquiry Into the Nature and Causes of the Wealth of Nations:* "Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it . . . he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention."

In sum, most, if not all, new businesses start with someone motivated by self-interest being alert to some problem that others face. A new business then requires someone with imagination, ability, and cour-

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age to follow through with practical solutions to that problem. This was precisely the case with Roger and Mary Lou MacGregor's business.

The MacGregor Yacht Corporation

The time was about twenty years ago. The place was Costa Mesa, California. The "problems" that Roger MacGregor saw were rising sailboat prices and rising docking rentals.

For most of his life, Roger had been around sailboats—building them and sailing them. Sailboats were his hobby. While a student at Stanford University, he conceived a new kind of cruising sailboat with a retractable keel. The boater who owns a cruising sailboat with a retractable keel can tow his boat on a trailer behind his car. Thus, he can store his boat in his own back yard, thereby saving the cost of docking and slip rentals.

Starting a new business requires capital, money with which to buy (or rent) a building and machinery. The MacGregors started their business with $5,000 of their own savings. It is significant that the initial investment was *their* savings. In a private property, profit and loss system, the owners of private property at risk normally tend to look after that property very closely. Investors proceed cautiously when it is their savings that are at stake, for any losses will be *their* losses.

There was no guarantee that prospective cruising sailboat buyers would actually buy the kind of sailboat that Roger conceived and that the MacGregors' firm manufactured. As long as consumers are free to patronize whomever they please, there *cannot* be any such guarantee. In a free enterprise system, it is the consumers who are the ultimate judges of goods and services. Through their buying or not buying a particular product or service, consumers determine which businesses will earn profits and which businesses will suffer losses. The consumer is king. It is not the producer, it is not the wealthy who guide the economy. Rather, it is the consumer who is in the driver's seat.

A Better Product at a Lower Price

The MacGregors knew there was competition in the sailboat manufacturing business. They knew that the way to woo customers was to come up with a superior boat at a lower price. And they understood that if a firm is to sell its products for less than the competition, it must have lower costs.

The MacGregors believed that the retractable keel feature of their boat made it a better boat than the competition's. They sought to cut costs, and thus to cut the selling prices of their boats, through the application of assembly line techniques and the standardization of parts in the fabrication of their sailboats. Neither

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the assembly line process nor the standardization of parts is new, of course. But the MacGregors made a new application of these familiar techniques, for historically the cruising sailboat manufacturing business has been a custom work business.

Reflect on what is happening here. In pursuing their own interests, the MacGregors were quietly transforming, in a small way, an industry geared to serving a select few to an industry geared more toward serving a less-select larger group. Characteristically, this is how many businesses and industries get started and grow in a free enterprise system.

Division of Labor

Initially, only Mary Lou devoted full time to Roger's hobby that was turning into a business. Roger kept his job at Ford Aerospace and Communications Corporation. But the MacGregors had correctly judged the demand for less expensive cruising sailboats with retractable keels. Consumers bought more and more of their boats. When production reached ten boats per week, Roger quit his job at Ford Aerospace and joined his wife full time. His hobby was no longer a hobby. It became a full-fledged business—the MacGregor Yacht Corporation.

As their business has grown, the MacGregors have split up some of its major functions. Roger has responsibility for production and sales. Mary Lou is responsible for finance and administration. Economists call this a *division of labor.*

The basis for a division of labor is the difference in the abilities and the interests of the individuals involved. Each individual does what he or she is relatively more interested in and better able to do. Such specialization usually leads to each specialist becoming even more proficient in handling his part of the business. The greater proficiency leads to greater productivity. And relatively high productivity is what it takes to survive in a competitive free market.

Retained Earnings Finance Growth

The MacGregors' business is profitable. Thus, it has survived. The profits retained in the business have provided much of the financing for the growth of the firm. This is typical of many businesses.

The bulk of the profits of business do not go for the owner's personal consumption. Rather, most of those profits go to finance the growth of business. And it is thus that the wealth of many wealthy people gets tied up in assets that provide jobs, in assets that multiply the productivity of the people who use them, in assets that help generate still more goods and services for consumers. In the free enterprise system, much of

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the wealth of wealthy people is in forms that serve the masses. And the wealthy person who wants to preserve or increase his wealth has an ongoing obligation to see to it that his wealth continues to be in forms that serve the masses.

But relatively high profit margins are short-lived in a system where there is private property, a free market, and a profit and loss system. The top of the heap is a precarious position. For example, as competitors also adopt the assembly line and standardization of parts techniques that the MacGregors pioneered in the sailboat manufacturing business, the competitors will be able to cut their costs too. Then, they also can cut their selling prices. And so the MacGregors will lose whatever competitive advantage they had because they were the first to apply these cost-cutting techniques to the cruising sailboat manufacturing business.

Thus, to hold, to say nothing of increasing, their share of the market for cruising sailboats, the MacGregors are continuously "under the gun." To maintain relatively high profit margins in a free market, it is not enough to come up with one or two new products. It is not enough to come up with one or two new ideas or new applications of ideas for cutting costs. No, to maintain above average profit margins in a free market, a businessman must *repeatedly* come up with new products that solve problems or in some other way appeal to consumers. The businessman must *repeatedly* come up with cost-cutting techniques. And he must do all of this *ahead* of the competition. Thus we see why the free enterprise system is such a powerful engine for economic progress.

The Uncertainty and Insecurity in Freedom

The MacGregor Yacht Corporation has had a healthy birth and infancy. Will this business continue to prosper and grow? As long as consumers are free to buy someone else's boats (or other goods altogether), no one can say for sure. The MacGregor boats with retractable keels may inspire another generation of sailboats. Who will have the inspiration? There is no way of knowing in advance. The MacGregor cost-cutting techniques may spark another round of cost-cutting. Who will have this spark? There is no way of knowing in advance.

Clearly there is a large element of uncertainty about this firm's future. In a free society, there is uncertainty about the future of all businesses. But this uncertainty and attendant insecurity are simply the consequences of freedom—freedom of the consumer to buy or not to buy from a given business; freedom of existing or potential producers to

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begin, expand, or halt the production of any item they believe there is a market for.

Not knowing exactly when or where or from whom the next idea for a new or improved product or new cost-cutting technique will come has been the source of both much mischief and of much good.

Not knowing the source of the next surge of progress tempts some individuals to call for central planning, for government planning of our economic affairs. Some individuals seem to think that not knowing exactly how the next spark of progress will come makes life unnecessarily chancy. Isn't it, they contend, more rational to "improve" on this chancy situation by methodical central planning? This line of reasoning is the source of much mischief.

History has repeatedly shown us what happens when government central planning is substituted for planning by individual consumers and producers. Central planning stifles the self-interest motive. It constricts the spirit inside us that urges us to strive for the "good life." This kind of planning is at odds with the nature of man. Although on the surface it appears that in theory political central planning should eliminate some of the uncertainty in freedom and accelerate economic progress, history clearly shows that in fact it is a source of instability and that in fact it retards progress.

Those among us who are tempted to endorse central planning, because it appears to be the more methodical way to progress, might profitably reflect on the life insurance industry. For there is an element of uncertainty in the life insurance industry that is in some ways like the uncertainty of the origins of progress in a free society.

Predictable Results

The most capable actuary cannot specify which particular sixty-year-old men will die next year. But the actuary studies history. Specifically, he studies the history of male deaths. He learns from history. He develops mortality tables. Equipped with the information in these mortality tables, that actuary can very accurately forecast the percentage of sixty-year-old men in a large population who will die next year. Knowing this percentage for sixty-year-old men and the corresponding percentages for men and women of all ages, he can help his company confidently proceed with its business of insuring the lives of men and women whatever their ages.

Similarly, a study of the history of free men and women enables us confidently to proceed in freedom. Although we cannot accurately forecast details of *how* the free society will progress, we can confidently forecast *that* it will progress. Free men and women will progress be-

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cause of the good feature of insecurity.

The good feature of insecurity is that it is a powerful stimulus. For the best way to cope with insecurity is to become competent. By ably serving consumers day in and day out, productive individuals can do much to reduce insecurity. Then, in a society in which there are large numbers of individuals busy trying to become more competent and more productive, the average level of ability and the average output of the individuals in that society rises tremendously. Indeed, the average ability and output can rise to the point where the "poor" person in a free society is much better off than the "rich" person in a society that is not free.

Can the MacGregors, specifically, sustain their "track record?" Time will tell. But as for the record of free men and women generally, time has already told. That record is decisive. Freedom is a condition required for maximum human progress.

IDEAS ON LIBERTY

Sharing the Gains

All economic gains must be eventually shared. That is a basic principle of such broad application that it might be called a general "law of economics."

It works this way:

1. All business is done by agreements of some kind.
2. The agreements are voluntary.
3. Nobody agrees to anything unless he finds it in some way to his advantage.

These add together to make the essential reason why economic well-being is more widely distributed in the United States than it ever has been in any other country.

For in a free economy, everybody gets a share of the values other people have to offer. But they also have to share a part of the values they themselves have to offer.

A million deals, agreements, trades, contracts, and bargains are made every day in this country. They are all voluntary, and go on the same principle as that of the most primitive barter between Indians and fur-traders. Both sides gain, or think they gain.

But because of this principle of sharing, or "letting the other fellow make a profit, too," the free economy is one of history's greatest mechanisms for the diffusion of wealth.

HAROLD M. FLEMING

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William Blackstone

On the Origin and Character of Rights

By the absolute *rights* of individuals we mean those which are so in their primary and strictest sense; such as would belong to their persons merely in a state of nature, and which every man is entitled to enjoy, whether out of society or in it. . . . Human laws define and enforce as well those rights which belong to a man considered as an individual, as those which belong to him considered as related to others.

For the principal aim of society is to protect in the enjoyment of those absolute rights, which were vested in them by the immutable laws of nature; but which could not be preserved in peace without that mutual assistance and intercourse, which is gained by the institution of friendly and social communities. Hence it follows that the first and primary end of human law is to maintain and regulate these absolute rights of individuals. . . .

The absolute rights of man, considered as a free agent, endowed with discernment to know good from evil, and with power of choosing those measures which appear to him to be most desirable, are usually summed up in one general appellation and denominated the natural liberty of mankind. This natural liberty consists properly in a power of acting as one thinks fit, without any restraint or control, unless by the law of nature; being a right inherent in us by birth, and one of the gifts of God to man at his creation, when he endued him with the faculty of free will.

But every man, when he enters into society, gives up a part of his natural liberty, as the price of so valuable a purchase and, in consideration of receiving the advantages of mutual commerce, obliges himself to conform to those laws, which the community has thought proper to establish. And this species of legal obedience and conformity is in-

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finitely more desirable than that wild and savage liberty which is sacrificed to obtain it. for no man, that considers a moment, would wish to retain the absolute and uncontrolled power of doing whatever he pleases; the consequence of which is, that every other man would also have the same power; and then there would be no security to the individuals in any of enjoyments of life.

Political therefore, or civil, liberty, which is that of a member of society, is no other than natural liberty so far restrained by human laws (and no farther) as is necessary and expedient for the general advantage of the publick. Hence we may collect [conclude] that the law, which restrains a man from doing mischief to his fellow citizens, though it diminishes the natural, increases the civil liberty of mankind; but that every wanton and causeless restraint of the will of the subject, whether practiced by a monarch, a nobility, or a popular assembly, is a degree of tyranny; nay, that even laws themselves, whether made with or without our consent, if they regulate and constrain our conduct in matters of mere indifference, without any good end in view, are regulations destructive of liberty; whereas if any public advantage can arise from observing such precepts, the control of our private inclinations, in one or two particular points, will conduce to preserve our general freedom in others of more importance; by supporting that state, of society, which alone can secure our independence. . . .

So that laws when prudently framed, are by no means subversive but rather introductive of liberty; for (as Mr. Locke has well observed) where there is no law there is no freedom. But then, on the other hand, that constitution or frame of government, that system of laws, is alone calculated to maintain civil liberty, which leaves the subject entire master of his own conduct, except in those points wherein the public good requires some direction or restraint.

Sir William Blackstone [1723–1780], born in Cheapside, England, trained in the law, taught, practiced law, and served for many years as a Member of Parliament. His four-volume *Commentaries* became the most famous exposition of English law. Had he designed to do so, he could not have timed its publication for greater impact on America. Published in the 1760s, it served Americans not only in its statement of the natural law doctrine with which to challenge English control but also for many years after the Revolution as the main authority on the common law. Selection extracted from *Commentaries on the Laws of England*, vol. I (Philadephia: J. B. Lippincott, 1891), pp. 122–26.

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George Reisman

How to Think About Economics

THERE IS no subject that more urgently needs to be understood in the world today than economics. Our well-being, indeed, our very lives, depend on the production of wealth. The production of wealth, in turn, vitally depends on the existence of the division of labor—the specialization of tasks.

As an important illustration of this dependence, consider the fact that to the extent there is a division of labor, there is a multiplication of the knowledge that is used in production. In a division-of-labor economy, such as that of the United States, as many specialized bodies of knowledge enter into production as there are specializations in employment. On the other hand, in an economy with relatively little division of labor, such as that of India, in which the great majority of people live as self-sufficient farmers, practically all producers possess the same body of knowledge; and thus the knowledge that enters into production is limited essentially to what one mind alone can hold.

The great majority of people, including the great majority of presumably educated people, are not explicitly aware even of the importance of the division of labor. Still less are they aware of the fact that the division of labor has definite requirements for its successful functioning, indeed, for its very existence. The division of labor can intensify and flourish, or it can be largely or even entirely destroyed. Examples are provided by the rise and fall of civilizations—such as the Middle Ages, with its minimal division of labor, and the last two centuries or more, with their great intensification of the division of labor.

What happens to the division of labor is the result of human choices, specifically, choices of a political nature. Acting in their political capacity, men have the power to adopt laws and social institutions that make possible the growth and suc-

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cessful functioning of the division of labor, or to adopt laws and social institutions that are incompatible with the division of labor. The laws and social institutions of the United States for most of its history provide an example of the first kind; those of the late Roman Empire and the Middle Ages, an example of the second kind.

Understanding the Process

In order for men to make intelligent choices respecting the division of labor, they must have knowledge concerning it. They must know in principle what the division of labor accomplishes, what it requires, and what promotes or impairs it. This knowledge is provided by economics. *Economics is the science that studies the production of wealth under a system of division of labor.*

Economics is itself a specialization. It is that specialization within the division of labor that studies the division-of-labor system. But along with such subjects as mathematics, natural science, philosophy, history, and the classics, economics is something that deserves a prominent place in the education of every intelligent person. It must be understood not only as an important part of the individual's comprehension of the universe around him, but in order to make possible the continued existence of material civilization. For in the long run, it is the ideas of the educated public that determine the laws and social institutions a country adopts. Only if the educated public has a serious grasp of economic principles can a country hope to have or maintain laws and institutions conducive to the division of labor.

In the absence of such knowledge of economics, a modern nation like the United States is in the position of an ignorant crowd wandering among banks of computers or other complex machinery and randomly pushing buttons here and pulling levers there. For its people live in the midst of the division of labor, their lives depend on it, yet they do not understand it and are taking actions with respect to it whose effects they do not comprehend. In just this way, our contemporaries feel free to advocate such things as fiat money, price controls, confiscatory taxation, and even the abolition of private ownership of the means of production altogether—all with no comprehension whatever of the effects on the-division-of-labor system.

In the absence of a widespread knowledge of economics among the educated public, it is only a question of time before a nation destroys itself. And that is precisely what the United States is doing today and has been doing for some time.

Over the last two centuries, a number of brilliant books have appeared that provide a more or less

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systematic exposition of economics, starting with Adam Smith's *The Wealth of Nations* and continuing up to Ludwig von Mises' *Human Action,* the last edition of which appeared in 1966. Unfortunately, for various reasons, none of these books is suitable for a beginner.

To make matters worse, there are simply no decent textbooks of economics. What passes for economic texts at the colleges and universities are books written in total ignorance of the contributions of the great economists. Today's textbooks are an exposition of the ideas of a relative handful of authors: principally, Marshall, Keynes, and Joan Robinson, often supplemented with a dose of Marx and Veblen. The ideas of the real economists—Smith, Ricardo, Say, the two Mills, McCulloch, Bastiat, Senior, Menger, Jevons, Böhm-Bawerk, and Mises, to name some of the most important—are simply ignored.

And when they are mentioned at all, it is only long enough to dismiss them with ridicule. For example, Adam Smith's demonstration of the existence of a harmony of self-interests in a free society is dismissed as resting on a postulate of divine intervention. Say's Law of Markets, which demonstrates the impossibility of a general overproduction is dismissed as claiming that if refrigerators are brought to Eskimos, they will be demanded, because "supply creates its own demand." All that the great economists have proved with respect to the role of saving, the operations of the price system, the causes of economic progress and decline, of inflation, unemployment, and depressions—all this is simply ignored and evaded in the textbooks. And in its place is presented a loose collection of meandering assertions and illogical connections heavily interspersed with diagrams, equations, and statistics—all tending to the conclusion that economics and the manifestos of the left-wing of the Democratic Party are one and the same.

A Brilliant Analysis

It is in the light of this background that Henry Hazlitt's *Economics in One Lesson,* recently published in its third edition, must be appreciated.

Henry Hazlitt is himself a great economist and ranks among those whose names I have mentioned. He possesses a profound and thorough knowledge of the classics of the subject and of all of its principles and finer points. He possesses a brilliantly logical mind and an unsurpassed ability to present the most complex material clearly and simply, so that almost anybody can understand it. All of these qualities shine forth on practically every page of the third edition of *Economics in One Lesson.* (The third edition does

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not differ in any fundamental way from the previous editions. The chapter on rent control, added in the second edition, has been extended, and a valuable new chapter has been added reviewing the course of events since the publication of the first edition over thirty years ago.)

Economics in One Lesson introduces the reader to economics by a highly stimulating and exciting method. From the very first page, it offers a profound challenge to the ideas that most people hold about economic activity and to their method of thinking about it. For example, most people think of war and destruction as causes of economic prosperity by allegedly creating additional demand and employment. Hazlitt shows clearly and convincingly why this is not so. And in so doing, he immediately begins to captivate the reader by overcoming what must otherwise be horrifying philosophical contradictions, such as the desire for both peace and prosperity.

Tracing the Cqnsequences

Hazlitt states that the essential lesson of economics, the key to correct thinking about the subject, is that "the art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups." In teaching this lesson, Hazlitt widens the intellectual horizons of his readers and teaches them to think of the effects of things on the division-of-labor system, something they would otherwise be unaware of.

In content, *Economics in One Lesson* covers the highly important subjects of unemployment, government spending, taxes, credit, machinery, tariffs, subsidies, the price system, price and rent controls, minimum wage laws, labor unions, inflation, and the function of saving. Its method is always the development of economic principles in relation to major economic problems. There is hardly a page of the book that does not make several important points. A fundamental theme of the book is that the freedom of the individual peacefully to pursue his own interests serves both his interests and the longrun interests of all other members of the economic system. This is always the specific conclusion that we see illustrated when we think as economists.

In my teaching career, I have often used *Economics in One Lesson* as an introductory textbook. Several times, I have used it as practically the only textbook. And despite its brevity, I have had no difficulty in discussing its content for an entire semester. The book is so rich that even after having read portions of it many times, I continue to find points

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Economics in One Lesson by Henry Hazlitt

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in it that I had previously overlooked. Moreover, students actually read the book, understand it, and change their ideas because of it.

Despite its overwhelming virtues, there are a few things that I must criticize concerning the book. Two points of a theoretical nature are its failure to incorporate the insight of the classical economists that the demand for labor comes out of savings, not consumption, and its failure to recognize with Böhm-Bawerk and Wieser that there are important cases in which cost of production is the direct determinant of prices, though never their ultimate determinant. In addition, there are occasional minor and uncalled for concessions made to the opponents of sound economics and capitalism, which have the effect of sometimes undercutting the force of the brilliant arguments advanced, such as the statement on page 141 concerning a need for labor unions to prevent workers from being underpaid in certain cases.

These criticisms notwithstanding, *Economics in One Lesson* is a superlative book. It is the finest introduction to economics in existence and page for page there simply is no finer book on economics, period. As I have written elsewhere, *Economics in One Lesson* has been an inspiration and a standard for my own writings. It has been instrumental in teaching me not just a valuable intellectual content, but, no less important, the correct method for thinking about all economic problems. For the sake of the survival of material civilization, one can only hope that the current, third edition of *Economics in One Lesson* will be read by and will influence the thinking of millions in the years to come.

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Survival in the Nuclear Age

THE DILEMMA of the libertarian is that, in his revolt against any reliance on the State, he must trust that Marxist states organized beyond his own borders will leave him alone. Laurence W. Beilenson, in a stimulating book, *Survival and Peace in the Nuclear Age* (Regnery-Gateway, Chicago, Illinois, 169 pp., $10.95) has a natural sympathy for the libertarian's position, but he is sure that simple trust is not enough. To keep one's enemies at a distance in the age of the intercontinental ballistic missile requires a canny mixture of what Beilenson calls avoidance and deterrence. Avoidance demands nimble diplomats; deterrence dictates the spending of money, which, of course, brings the hated tax collector into the picture.

Since Mr. Beilenson believes in freedom, he wants to make the best deal for his country that can be managed within the bounds of realism. As the author of *The Treaty Trap* and *Power Through Subversion* he knows that we have always had wars in the past and, presumably, could have them in the future. When wars do occur, the embattled governments may follow conventions up to a point. But nobody is going to forswear the use of a weapon, no matter how hideous, if, by turning to it, one can insure one's survival. The chances are that nuclear weapons would come into play in a war for western Europe the minute that one side or the other was threatened with defeat.

Mr. Beilenson doesn't want to give western Europe to the Communists. But, on the other hand, he doesn't

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want to see the United States trapped by its present commitment to pour conventional forces into a theater where reliance on convention would be abandoned practically at the outset.

A Policy of Deterrence

Thinking the "unthinkable," Mr. Beilenson calls for an approach that accepts nuclear war as the norm in the European theater unless some way is to be found to forestall war of any kind. Treaties signed with the Communists won't help—the Soviets used SALT I as a screen behind which they vastly added to their nuclear capabilities. What the United States should do is to match the Soviets in deterrence, but with an effort to develop simpler and cheaper weapons (say the neutron bomb and the cruise missile). Civil defense should come into the picture. Then, having informed the world through our actions that we mean to defend ourselves, we should put it up to the West Europeans to do something on their own behalf.

Mr. Beilenson would share our nuclear knowledge and weapons with the other NATO nations even at the risk of wide atomic proliferation. The West Germans should have nuclear weapons on their own soil. Meanwhile our forward garrisons in West Germany should be reduced over a five-year period. Once western Europe has been persuaded to become a real power center on its own, the United States will no longer be the primary target for Soviet ballistic missiles. Europeans shouldn't object to this, for with two targets to worry about, the Soviets would be less inclined to start anything.

With American ground forces withdrawn from Europe and Asia, and with Washington matching Moscow "nuke for nuke," we would be combining a minimum of forward area provocation with a maximum of reserved menace if, by any chance, our diplomacy should fail. Mr. Beilenson's proposal creates an odd perspective. But the perspective accommodates the two values of avoidance and deterrence.

A Flexible Stand

With the two values in mind, we would be forced to rely on the same type of thinking that has enabled the followers of Lenin to win victories without risk of premature embroilment. The Leninists have followed a double-pronged strategy, mixing subversion with opportunist exploitation of occasional revolutionary situations. Detente and "wars of liberation" are ideologically incompatible, but when they are separated geographically they have not resulted in any world-wide "final conflict." Mr. Beilenson doesn't ask for any foolish consistency from our policy makers as long as the Russians are permitted their inconsis-

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tency. His suggested rules amount to what he calls "the Lenin Adaptation in Reverse." The rules begin with a statement that "we are for peace and we will not go to war to aid communist dissidents." But if we do not propose to be an "international busybody," we should nevertheless stand ready to give financial and other aid to dissidents short of sending troops.

Angola would have been a good staging area for the Lenin Adaptation in Reverse. Mr. Beilenson thinks Jimmy Carter acted wisely when he refused to send American soldiers to oppose the Cubans in Angola. But Carter was mistaken when he put his faith in merely deploring what Castro had done. In Beilenson's opinion Carter should have "sent American foreign aid for freedom after open announcement. He should have said bluntly: 'The Cubans are foreign intruders in Africa. To any Africans willing to kill the Cuban intruders, the United States will give cannon. And the weapons we give will match in quality the Soviet weapons.' "

This would be giving the Soviets tit for tat. Our policy of subversion should be conducted in the open, not "covertly." It should be just as honest as Lenin's own opportunism.

Mr. Beilenson thinks that much of our so-called strategic thinking in regard to "flanks" and "lifelines" is based on past wars. To be worried about the control of the oil "lifeline" through the Indian Ocean and around the Cape of Good Hope is silly when the real danger is that the Soviets might close the Persian Gulf ports by parachute drops and local coups d'etat. Similarly, it is a waste of time to be concerned with the "northern flank" of Denmark and Norway in Europe when the real menace is a nuclear clash in the West German center.

An Energy Policy

Where Mr. Beilenson's book lets the reader down is in his failure to tell us what we can do about energy while we are trying to move toward the policy of balancing between "avoidance and deterrence." It would be futile to see American troops taken out of western Europe and South Korea merely to send them to Sinai or Oman or Turkey or Saudi Arabia. However, that looms up as a dangerous possibility. Threatened with a gasoline shortage, American motorists may shortly be importuning Congress to commit "mobile" forces to the Persian Gulf area.

We need a policy of building quickly to an energy sufficiency within the western hemisphere if "avoidance and deterrence" are to have a real chance. The hope here is that free pricing will lead to the discovery and exploitation of thousands of new gas wells in Louisiana and the beginnings of "tertiary re-

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covery" in the oil fields of West Texas. With our cars running and our furnaces working, Mr. Beilenson's ideas would have some chance of success. But if we don't have energy we could be led into some disastrous adventure before we have the "deterrence" we need.

THE COMING VICTORY
by Tom Rose and Robert Metcalf
(Christian Studies Center, P.O. Box 1110, Memphis, Tennessee 38111)
192 pages ■ $6.95 paperback

Reviewed by Roger Ream

THIS BOOK covers a wide range of subjects, from economics and public policy to religion and tips on how to raise children. The basic theme of the book is that liberty is a gift from God. Men stand as free and self-responsible individuals before God. "The great sin of modern-day America is that the people have made the civil authority their god. Clearly, the proper role of civil government in a society of free and self-responsible God-created beings is to restrain and punish evil."

To discover the specifics of what government should or should not do, the authors turn to the Bible. A footnote concerning the energy situation provides an example of the methodology used: "America's *real* shortage-of-oil problem stems from a faulty *theological* approach. The problem exists because the people are turning to the humanist state as a secular savior. Only when this false god-image is set aside and statist controls are done away with will individual initiative be creatively released."

The authors raise some welcome and provocative questions concerning the voting franchise. "As the voting franchise has been broadened and broadened, there has grown an ever-greater demagogic tendency for elected politicians to strive to gain popularity among the broader voting populace. With promises of new 'benefits,' politicians find they can, in effect, buy the votes of those citizens who have little interest in maintaining a stable society over the long haul." The authors suggest that government might stay within its proper limits of protecting life, liberty and property if those who vote have a stake in each, i.e., if ownership of property were a prerequisite to the privilege of voting. They suggest "it is dangerous when the vote is given to non-propertied individuals, for their vote often undermines property rights." Unfortunately, the general nature of the book permits only cursory examination of this controversial subject.

The methodology of the authors leads them astray in their discus-

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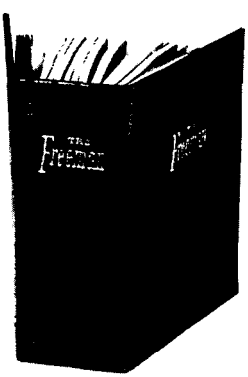
sion of corporate responsibility. They accept the popular notion that the limited liability corporation is "a fictitious person created by fiat of the state." Evidently the authors missed Robert Hessen's able refutation of this myth in his recent book, *In Defense of the Corporation.*

The authors interpret their belief that man is responsible to God to mean that individuals should not be able to limit their responsibility to other men—that limiting liability in contractual business activities is wrong. They write, "The principle which should guide all business activity is this: Those who stand to reap the profits of enterprise should also stand *all the risks* involved." Limited liability, like insurance, certainly minimizes personal responsibility for risks undertaken, yet it would exist in any society where government is properly limited since it is based on voluntary contract.

The authors ably diagnose many of the political and economic problems facing the United States. They correctly trace the cause of these problems to a spiritual weakness and suggest a number of ways to overcome the political, economic, and especially the moral problems which plague our civilization.



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